DUAL TRANSITIONS *from* AUTHORITARIAN RULE

Institutionalized Regimes in Chile and Mexico, 1970–2000

Francisco E. González

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Institutionalized Regimes in Chile and Mexico, 1970–2000

FRANCISCO E. GONZÁLEZ

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A mi Amy,
porque esta historia
de desventuras
me trajo a ti.

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por haber llegado.

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Dual Transitions from Authoritarian Rule

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Dual Transitions from Authoritarian Rule

Faith in democracy received a boost during the last quarter of the twentieth century. Between the early 1970s and the dawn of the twenty-first century, more than eighty countries throughout the world underwent transitions from authoritarian or totalitarian to democratic political regimes. According to Freedom House, in the year 2000 there were 120 competitive electoral democracies in the world, which represented the highest number in the history of humankind. Moreover, the proportion of countries in the world that were democratic was higher than ever before (63 percent).[1] This global political phenomenon started in the early 1970s in southern Europe with the demise of military dictatorships and the transitions to democracy in Portugal, Spain, and Greece, and then extended to Latin American, Eastern European, East and Southeast Asian, and sub-Saharan countries during the 1980s and 1990s. Baptized as the "third wave" of democratization, this global political phenomenon has prompted a rich academic literature.[2]

The third wave of democratization is distinctive. As Diamond and Plattner put it, "a single distinguishing feature of contemporary democratic transitions that most sets them apart from previous efforts . . . might well be the linkage between political and economic reform, the 'dual' nature of the transition."[3] Of particular relevance is Haggard and Kaufman's observation that "most of the new democratic governments have been induced to pursue a relatively 'orthodox' direction of economic reform, one that has decisively favored liberalization, reducing the role of the state in the economy, and expanding the role of market forces in society. By contrast, the shocks of the 1930s gave rise to 'heterodox' policy experiments [with the adoption of inward-looking economic models], which dramatically expanded the role of the state in the economy."[4] Therefore, in order to properly understand the third wave of democratization, it is crucial to recognize that many of these countries faced "dual transitions": from authori-

tarian or totalitarian political regimes to democratic ones and from state-led or command economies to market ones.

Dual Transitions as the Breakup of Political and Economic Monopolies

Dual transitions are best characterized as processes whereby political and economic monopolies are broken. A political monopoly of this type is the exclusive exercise of political power that the outgoing totalitarian or authoritarian regime enjoyed before the transition to democracy. An economic monopoly involves an extent of control of economic activity and resource allocation enjoyed by the same regime and its allies before the market reforms typical of economic liberalization are implemented.

The breakup of monopolies has been shown to redistribute benefits and costs among groups; indeed, this is inherent in the very idea of dismantling monopolies. These changes in the allocation of power (in the political sphere) and rents (in the economic sphere) redirect the behavior of political and economic leaders by modifying their calculations about how to maximize their relative benefits.[5]

Specifically, the breakup of political and economic monopolies brought about by these dual transitions entails immediate costs for the losers of monopoly power, whether political or economic or both, while promising future gains for those who had been excluded from enjoying those benefits. Game theorists argue that those who benefit from monopoly power have a vested interest to defend the status quo, while the excluded will organize to fight and force change. The aim of incumbents becomes making credible promises about redistribution to dissuade the opposition from fighting to break up their political and economic monopolies by revolution, if need be. For promises to be credible, the opposition can demand the restructuring of political and economic institutions to force a reallocation of not only current but also future power. In the useful distinction introduced by Acemoglu and Robinson, the opposition needs to translate its current de facto power (social mobilization, public opinion support, armed struggle, and so on) into future de jure power (restructuring political and economic institutions) to ensure their participation in the future decision-making process regarding the allocation of costs and benefits.[6]

Historically, this has been done in a variety of ways. Some opposition movements have just replaced and excluded the previous winners (outgoing regime incumbents) by preserving monopoly power for themselves. This was the case in the 1917 social revolution that led to the establishment of totalitarian communist

rule in Russia.[7] If instead of the preservation of monopoly (with only a change in leadership), its breakup moves in the direction of pluralism in the political arena and free market price competition in the economic sphere, then the allocation of power and rents will become less centralized. Rather than the single decision of the monopolist allocating political and economic resources to individuals or groups as the occasions demand, individuals make independent decisions about the allocation of those resources.[8] As a consequence, more actors become empowered, competition over costs and benefits increases, and outcomes about future allocation of power and resources become more uncertain.

Higher uncertainty leads to more social conflict over the future allocation of political and economic resources, but it need not necessarily lead to high political instability or recurrent regime change. The empirical evidence shows that democratic and authoritarian regimes can cope with different degrees of competition in the political and economic spheres without suffering acute political instability or breakdown. Democracies as different as the United States, Canada, Western European countries, Japan, Australia, New Zealand, and India have experienced long periods of democratic regime continuity in the face of different degrees of political and economic competition. In a similar vein, authoritarian regimes in Mexico under the Partido Revolucionario Institucional (PRI), Brazil and Chile under bureaucratic authoritarian military rule, Turkey under Atatürk, Egypt under Nasser, Algeria under Ben Bella, and Yugoslavia under Tito experienced long periods of continuity under different degrees of political and economic competition.[9]

It is helpful to categorize the universe of authoritarian and democratic regimes included in the monopoly/decentralized political and economic spheres across two dimensions. The first dimension is the spectrum between authoritarian and democratic political regimes. The second dimension is the spectrum between state-led and open economies. Figure 1 illustrates the four resultant politico-economic models.

A country situated in the first quadrant is based on the neoliberal model of democracy. The rationale behind this model is that economic freedom (property rights and free markets) provides the basis and the best guarantee for the establishment and the development of political freedom (liberal democracy). This model regards the market as a more efficient disciplinary tool of individual and social behavior than the state; it is inherently suspicious about extensive state intervention in the economy. Cases in this quadrant include the third-wave democracies that implemented the "Washington Consensus" in the 1990s.[10]

A country situated in the second quadrant is based on free market authoritarianism. This model assumes that political democracy and extensive state involve-

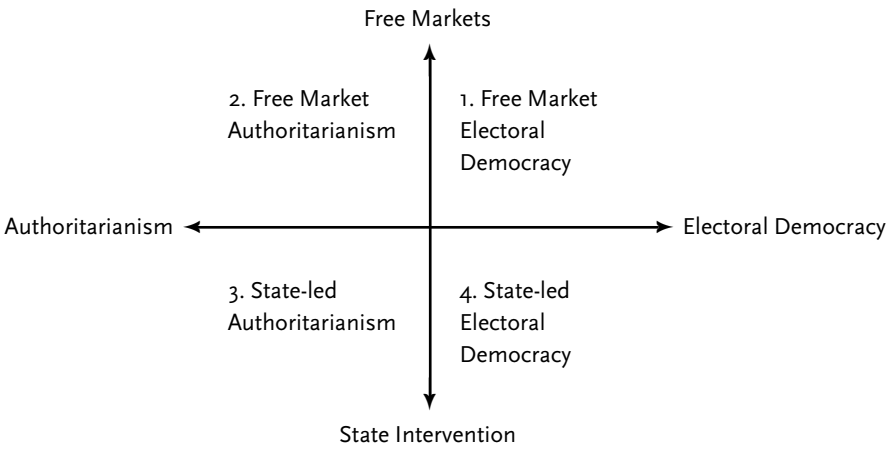

Figure 1. Politico-Economic Models in a Two-Dimensional Space

ment in the economy are pernicious for a country in the long term. It conceives democracy as a system that encourages the rise and deepening of conflicts between pressure groups and their competing claims. The state becomes overburdened trying to meet these ever rising demands and becomes fiscally weakened. A weak state is increasingly unable to enforce basic functions such as law and order. Because democracy allows freedom of organization and expression, radical groups will advance projects whose aim is to undermine or even to overthrow the regime. A weak state will find itself unable to respond both to the socioeconomic challenge of development and to the political challenge of anti-systemic forces.[11] The corollary of free market authoritarianism is the enhancement of economic freedom at the expense of political freedom. It was the trajectory pursued in Mexico between 1985 and 1996, in Chile under General Augusto Pinochet, and in Peru under Alberto Fujimori.

A country situated in the third quadrant is based on state-led authoritarianism. This model was popular in Latin America between the 1930s and the 1970s and in Asia and Africa after de-colonization. It advocates wide state intervention in the economy and state guidance of the political process to build nations. Such states become strong dispensers of patronage and clientelism. The more economic space and activity the state takes over, the less is left for independent private activity. Likewise, the more it controls political activity, the harder it is for autonomous political organization and activity to flourish.

A country situated in the fourth quadrant is based on state-led democracy. Whereas the neoliberal model emphasizes economic freedom and political equal-

ity (one person one vote), this politico-economic model, found in countries with strong traditions of social democratic government in continental Europe and Scandinavia, underscores relative equality, socioeconomic as well as political.[12] It criticizes neoliberalism for stressing economic freedom while at the same time overlooking the inequality of initial distribution of resources inherent in any society. Given this initial inequality, economic freedoms and the chances of individuals and groups to develop will be unequal and unfair from the start. Hence, social democracy has always advocated a strong role for the state in economic development and social provision.

The question now becomes: How do the Latin American countries that underwent dual transitions in the 1980s and 1990s fit into this scheme?

Dual Transitions in Latin America and the Distinctiveness of the Chilean and Mexican Cases

In this volume, I examine the cases of Chile and Mexico, where authoritarian regimes controlled dual transitions in the 1980s and 1990s. The other Latin American countries that underwent dual transitions during these decades were Argentina, Bolivia, Brazil, Ecuador, Paraguay, Peru, and Uruguay. Of these, the impetus behind political democratization and economic liberalization was weakest in Paraguay, while in Uruguay and to a lesser extent in Brazil democratization was coupled with a consensus to retain the tradition of state-led economy, even in the face of external pressures in favor of liberalization. Countries that did not undergo dual transitions in the region were Colombia, Costa Rica, and Venezuela, all of which remained democracies in the 1970s and 1980s, and Cuba, which remained a totalitarian regime. Central American countries such as Guatemala, El Salvador, and Nicaragua underwent triple transitions: from civil war to peace; from authoritarian to democratic rule; and from state-led to relatively open economies.

The comparative historical analysis in this volume covers the years 1970 to the year 2000.[13] This choice is not arbitrary. The three decades frame a peak and a deep trough in the recent political and economic history of Latin America. The peak was reached in the early 1970s. It represented the zenith of state intervention in the economy and of governments from the left, which tried to bring about popular democracy in some cases and socialism in others. However, as figure 2 illustrates, by 1976 all of the Latin American countries that would undergo dual transitions in the 1980s and 1990s had succumbed to different varieties of state-led or free market authoritarianism.

Figure 2. Politico-Economic Models in Latin America in 1976

The deep trough was produced by the 1982 economic crisis, which triggered the so-called lost decade of economic and social development in most Latin American countries, including Chile and Mexico. Painful years of stabilization, adjustment, and economic restructuring along free market lines followed in most countries. Nonetheless, as figure 3 shows, by 2000 all the dual transition countries had embraced electoral democracy.

Two factors made dual transitions in Chile and Mexico distinctive. First, they were the only two countries in which authoritarian regimes by and large controlled the two transitions. In contrast, left-wing authoritarian regimes in Peru and in Ecuador, and right-wing ones in Argentina, Bolivia, Brazil, Paraguay, and Uruguay underwent transitions to democracy between 1978 and 1989. The demise of these regimes meant that they were unable to influence further their respective dual transitions. We should remain aware about wide variations among these cases, as exemplified by the total collapse of the military regime in Argentina in 1982–83, on the one hand, and the orderly retreat to the barracks and continuing influence of the military in Brazil after 1985, on the other. Likewise, the fall of these authoritarian regimes before the wave of market reforms spread throughout the region also meant that they did not control the economic transition to free markets. This task was the responsibility of their young democratic regimes.[14]

Second, the process of dual transitions in Chile and Mexico in the 1980s and 1990s was more successful than in the other seven dual-transition countries in Latin America. The question of success or failure is always open to value

Figure 3. Politico-Economic Models in Latin America in 2000

judgment and is therefore subjective. In this volume, successful dual transition processes mean, on the economic side, that neither Chile nor Mexico experienced the escalation of social conflict into episodes of hyperinflation and, politically, that the heads of state in both countries finished their constitutionally prescribed terms in office. In contrast, the other seven countries faced episodes of hyperinflation or interrupted presidencies or both.[15]

Explaining the Relative Success of Dual-Transition Management in Chile and Mexico

Thus far dual transitions have been analyzed through sequence analysis. The basic assumption behind this type of analysis is that "which came first" is relevant to understanding the extent of control that different political regimes can exert over large-scale politico-economic transformations.[16] The two basic sequences are "democratic transition first and neoliberal transformation later" or "neoliberal transformation first and democratic transition later." Scholars who argue that the latter sequence is more likely to lead to successful dual transition processes point out that authoritarian regimes tend to have stronger capacity than democratic ones in controlling the timing, pace, and extent of economic and political change.[17] Applied to Latin America in the 1980s and 1990s, this argument might help to identify a reason why the processes of dual transitions in Chile and Mexico were comparatively more successful than in countries where transitions to democracy happened first and the new, usually fragile, democratic regimes had less

control over the timing, pace, and extent of political and economic change (Argentina, Bolivia, Brazil, Ecuador, Paraguay, Peru, and Uruguay).

In contrast, authors who favor the "democracy first" sequence argue that the "authoritarian advantage" thesis neglects the negative legacies of authoritarian rule, both as an impediment to economic rationality and as a potential obstacle to full democratization.[18] This volume agrees with these criticisms, but I subject the "authoritarian advantage" thesis to a different critique. There is ample evidence from Latin America in the 1970s that the presence of authoritarian rule per se was not a necessary and sufficient condition for political regimes to control and shape the pace and extent of political and economic change. Thus, right-wing military regimes attempted and failed to transform their countries' economies along free market lines at the same time that they tried to postpone the return of democracy in Argentina (1976–83) and Uruguay (1973–85). In the opposite direction, nationalist left-wing military regimes in Peru (1968–75) and, more briefly, in Ecuador (1972–76) and Bolivia (1969–71) tried to socialize their economies under populist, nondemocratic political regimes, but their reforms were later reversed. Even the strong military regime that ruled Brazil between 1964 and 1985 had little or no leverage over the move to economic liberalization during President Fernando H. Cardoso's tenure (1995–2003).

From the perspective of the authoritarian regimes' many failures to control dual-transition processes in Latin America, Chile and Mexico represent exceptions to the rule of equating an "authoritarian advantage" with successful management of dual transitions. In the face of so many other authoritarian regime failures to control dual transitions in Latin America since the 1970s, there have to be some factors other than the sequencing of the two transitions that help to explain why the "authoritarian advantage" operated in Chile and Mexico. The question is, Can we find common factors at work that allowed such different authoritarian regimes—the former a bureaucratic authoritarian military regime, the latter a civilian, hegemonic party regime—to control their dual transition processes?

To answer this question, I start by positing that the failure of sequence analysis to predict the outcome of dual transitions in Latin America since the 1970s is due to two problems. On the one hand, its conception of political and economic transitions is too rigid (that is, one occurs after the other in a clear-cut way). On the other hand, it does not specify a priori mechanisms through which the timing, pace, and extent of dual transitions may be controlled by incumbents in authoritarian or newly democratic regimes.

With respect to the problem of a rigid conception of how political and economic change takes place in dual transitions, I introduce a more empirically

based relationship between political and economic transitions. Historically, the dual transitions in Chile and in Mexico were not strictly sequential. Rather, different aspects of the economic and political transitions were coterminous and interactive. Any convincing explanation of how the "authoritarian advantage" operated in these two countries therefore needs to take into account the effects of politico-economic interactions on these two relatively successful dual transitions.

The scholarly literature has highlighted the importance of analyzing politico-economic interactions to understand dual transitions. For example, Haggard and Kaufman have shown how the presence or absence of economic crisis influenced the type of authoritarian withdrawal and the type of challenges facing new democratic regimes, and conversely, how the political institutions of both authoritarian and democratic regimes influenced their countries' economic conditions and prospects during the years of political or economic transition in twelve Latin American and Asian countries.[19] Bates and Krueger's multinational analysis of market reforms in both democratic and authoritarian countries concluded that "it became evident that both economic and political factors had a profound influence on the situation resulting in the need for reform, the nature of the reform effort, and its outcome, and that interaction of these factors was little understood."[20] Rueschemeyer, Stephens, and Stephens developed a comparative historical model that accounted for the rise of democracy in capitalist societies. They highlighted the importance of the "complex interactions between economic and political processes" that have to be taken into account to avoid formalistic analyses of "political democratization and economic development."[21] In their study about the sustainability of democracy, Przeworski and his colleagues also concluded that the "interdependence [of] political and economic reforms" is essential to understand "whether democracy is likely to generate desirable and politically desired objectives, as well as whether it is likely to last."[22]

To identify and analyze politico-economic interactions, I introduce two categories that represent opposite ideal types. From the ideal-type perspective, dual transitions can interact by either strengthening or weakening each other. In the language of this volume, mutual strengthening of the economic and the political transitions is the result of politico-economic synergies. In the opposite direction, mutual weakening of the dual transitions is the result of politico-economic antagonisms. Examples of the former include sustained economic growth under macroeconomic stability leading to the moderation of social and political conflict or political institutions capable of aggregating and channeling the conflicts over the distribution of costs and benefits of dual transitions in a positive-sum direction. Examples of the latter include the escalation of distributional conflicts that spill

over into hyperinflation or economic crises that put pressure on governments and can lead to either their fall (as in some interrupted presidencies) or to the fall of the political regime.

With respect to the problem of the failure of sequence analysis to specify a priori mechanisms for the capacity or incapacity of authoritarian regimes to control the timing, pace, and extent of dual transitions, I emphasize political institutions as such mechanisms. I argue that institutionalized authoritarian regimes in Chile and Mexico permitted incumbents and the opposition to manage and negotiate inter-temporally the costs and benefits of the breakup of political and economic monopolies. Institutionalized regimes induced inter-temporal bargaining and accommodation by helping to overcome coordination problems; to lengthen political and economic actors' time horizons; and to structure the possibility of negotiating political opponents' choices through rationalized, predictable procedures that helped to produce positive-sum outcomes.

Successful management of the dual transitions was not preordained in either Chile or Mexico. Even though authoritarian regime incumbents by and large controlled the pace, timing, and extent of dual transitions, economic and political liberalization made future outcomes more uncertain, and this strengthened the role that contingency could have at any given point. Regime institutionalization constrained the likelihood that contingent events spiraled into what I identify as strengthening politico-economic antagonisms and raised the probability of politico-economic synergies.

Huntington long ago established the importance of regime institutionalization as an independent variable of managed political change. According to him, institutionalization is "the process by which organizations and procedures acquire value and stability," which in turn helps to establish that "the most important political distinction among countries concerns not their form of government but their degree of government."[23] Linz raised a similar point when discussing authoritarianism in pre-1974 Brazil by distinguishing authoritarian "situations" from "regimes," going on to identify the main characteristics of the former type: constant creation and disregard of institutions, including the making and breaking of constitutions; constant changes to the rules of elections (if there are any); profound struggles at the top of the regime's leadership that translate into succession crises; and a negative raison d'être with little capacity to serve as the foundation for legitimate and stable authoritarian political institutions.[24]

In contrast, applied to contemporary Latin America, Mainwaring and Scully identified the main positive characteristic of institutionalization by arguing that when a "practice or organization becomes well-established and widely known, if

not universally accepted, . . . actors develop expectations, orientations, and behavior based on the premise that this practice or organization will prevail in the foreseeable future."[25] Institutionalization lowers the uncertainty of future political (and economic) outcomes.

The micro-foundations of how such lowering of uncertainty occurs can be summed up as follows: given specific threats about political and economic change to a given status quo, rational individuals will try to protect their stakes by promoting self-interested politics and policies.[26] In countries without an institutionalized political regime (democratic or authoritarian), stability of organizations and procedures is given relatively low value, so the pursuit of self-interest leads to weak coordination and therefore to low cooperation among contending groups. Also, without the predictability of formal and informal rules and practices created by an institutionalized regime, rational individuals face short time horizons because contending groups try to change the status quo to suit their interests at any time. Lastly, without predictable rules and practices enshrined in an institutionalized regime, individual actors develop a winner-take-all mentality, which raises the potential for increased social conflict.

The key effect of an institutionalized political regime is spelling out how and when change to the status quo can be enacted. This basic coordination mechanism structures and lengthens time horizons and may promote cooperation between contenders. In this system, individual actors know that they will not be permanent winners or losers, because the institutionalized rules and practices spell out how change can be brought about, which helps them to organize to maximize their chances of enjoying benefits. Such a priori knowledge helps moderate conflict between contending groups, each of which tries to impose its political values and economic interests on the others. In such a system, uncertainty about the future status quo is lower than in one that does not have an institutionalized regime. Lower uncertainty means a lower premium on the risk of unexpected or unilateral losses of power and resources in the future status quo and more room for bargaining that yields positive-sum outcomes.

The effects of regime institutionalization are probabilistic rather than deterministic. This means that the likelihood of overcoming coordination problems, lengthening time horizons, and structuring bargaining to produce positive-sum outcomes increases under an institutionalized regime—but these outcomes cannot be guaranteed. To understand how the processes of dual transitions in Chile and Mexico adhered to these general conditions, we have to specify the origins, the characteristics, and the mode of operation of their institutionalized authoritarian regimes.

The origin of both regimes was different. The institutionalized authoritarian regime based on the hegemonic rule of the PRI in Mexico was the result of a successful elite pact between victorious generals and caciques (local or regional strongmen) in 1929 to negotiate power succession through bargaining inside the party rather than bullets and violence. The Chilean military regime that came to power in 1973 was the result of a coup against the democratically elected government headed by Salvador Allende, which was attempting the socialist transformation of the country. The former regime was therefore civilian, while the latter was military. In terms of their approach to mobilization, the two regimes were also different. The Mexican regime conformed to what Linz identified as "controlled mobilization" of a population previously not organized and mobilized, while the Chilean regime was a case of "deliberate demobilization" of a population previously mobilized within a more competitive political situation.[27]

Both countries shared four similar characteristics of institutionalized authoritarian rule: the presence of a stable constitutional framework, an agreed calendar for political contestation, highly institutionalized political parties and party systems, and strong executive branch authority. Stable constitutional rule—rather than de facto rule—based on the 1917 Mexican and the 1980 Chilean constitutions helped actors to achieve basic inter-temporal coordination to negotiate the future status quo. Agreed electoral calendars and strong parties and party systems channeled participation in a way that contained violence and moderated social and political conflict, while at the same time lengthening actors' time horizons by establishing the bases for predictable political contestation and the inter-temporal allocation of costs and benefits that would result from transitions. Crucially, the party systems in both countries ensured votes and representation for outgoing regime actors and their allies—members and supporters of the PRI in Mexico and of the Unión Demócrata Independiente (UDI) in Chile—while in countries like Argentina, Bolivia, and Peru they did not.[28] Thus, while guarantees about broad political representation in the democratic future raised the likelihood of positive-sum politico-economic outcomes in Chile and Mexico, the lack of guaranteed representation for the outgoing authoritarian regimes and their allies in Argentina, Bolivia, and Peru bred winner-take-all, confrontational dual transitions. Lastly, the traditional centrality of the national executive branch of government in both countries helped to minimize collective action problems by focusing the negotiations about the economic and political transitions in a single office with strong top-down command.

The four shared characteristics of Chile's and Mexico's authoritarian regimes helped to strengthen the weight of political institutions in the recurrent allocation

of costs and benefits during the dual transitions. At this point a paradox becomes apparent, as these two strongly institutionalized authoritarian regimes ended up undergoing transitions to democracy. Did their strength lead to their destruction? Linz has argued that no matter how strong and entrenched, authoritarian regimes live in a permanent uneasy equilibrium because they all "face this legitimacy pull toward the polyarchical model with political freedom for relatively full participation, or toward the committed, ideological single-party model."[29] From this perspective, the pull of both the Chilean military and the Mexican hegemonic party regime was toward the former model, because they had institutionalized channels that structured political contestation including, crucially, the possibility that a future status quo might mean democratic rule. Thus, the 1980 constitution in Chile contained a calendar for an eventual transition to democracy, while the 1917 constitution and the federal electoral laws in Mexico, while ensuring systematic advantages for the PRI, did not bar other parties from eventually reaching power through elections.

The institutionalization of authoritarian rule, but of a type that structured political contestation in a relatively open-ended manner (allowing plebiscites or elections to determine the allocation of future power and resources), permitted the opposition in both Chile and Mexico to engage the regime institutionally, that is, in rationalized, rule-bound, relatively predictable ways; to gain increasing political and economic space, which strengthened their commitment to keep playing by the rules of the game; and, in the end, to force the authoritarian regimes from power through democratic elections.

Finally, with respect to mode of operation, the Chilean and Mexican authoritarian regimes used force—the Chilean military regime ruthlessly, whereas the Mexican regime had used it selectively against dissidents since the birth of the PRI. Such proven use of force allowed both regimes to issue credible threats and to use repression in periods of acute politico-economic crisis, such as after the 1982 collapse of the economies of both countries. However, while the use of force to induce compliance was one of the key factors that allowed both regimes to exercise control and guide change, from my perspective their distinctive characteristic remains the institutionalization of rules and procedures in ways that structured contestation in a positive-sum way for participants in both the economic and political transitions.

Therefore, my main point is that the authoritarian advantage was institutionally based; without it, the dual transitions in Chile and Mexico might have been more tortuous, beset by setbacks similar to those experienced by other countries in the region. In other words, institutionalized authoritarian rule—

rather than authoritarian rule per se (through the sole use of force) or the happenstance that neoliberal restructuring occurred before the transition to democracy (sequence analysis)—was the key determinant of the Chilean and Mexican authoritarian regimes' capacity to contain and manage successfully the politico-economic antagonisms that the dual transition process generated recurrently in both countries between the mid-1970s and the year 2000.

Analytical Framework

This volume's analytical framework is based on the established Anglo-American scholarly literature on comparative politics that studies politico-economic interactions and transformations.[30] The seminal contributions on transitions from authoritarian rule and on the problems that new democratic regimes face by scholars such as Rustow; O'Donnell, Schmitter, and Whitehead; Diamond, Hartlyn, Linz, and Lipset; and Linz and Stepan provide a general perspective in the analysis contained herein.[31] These works have included categories that go from the aggregate level of the international environment to the basic disaggregate level of key individual actors. The basic levels of analysis used in this comparative study of Chile and Mexico's dual transitions are the following: (1) international, (2) state, (3) regime, (4) organized interests, (5) civil society, and (6) key individual actors.[32]

Following Bhagwati's argument, it can be useful to conceptualize variables underlying contemporary dual transitions as continuous rather than as discrete points in time. With respect to the economic dimension, there is a continuum from pure central planning to pure laissez-faire. Likewise, there is a continuum between pure totalitarianism and pure liberal democracy. Thinking in terms of such continua helps in several ways. First, it helps to define concretely the changing states or levels of the political and economic processes behind these contemporary dual transitions. Second, it locates and highlights particular linkages between both processes that are established only temporarily. And third, it provides the building blocks that allow clustering the six levels of analysis mentioned above to understand how dual transitions unfolded in Chile and Mexico.[33]

This comparative analysis deploys a "more different cases" design for qualitative research.[34] The evidence includes all available written primary and secondary sources, both domestic and international. The "more different cases" design makes sense for the Chile-Mexico comparison. Until the military coup of 1973, Chile had been a multiparty democracy that had operated uninterruptedly since

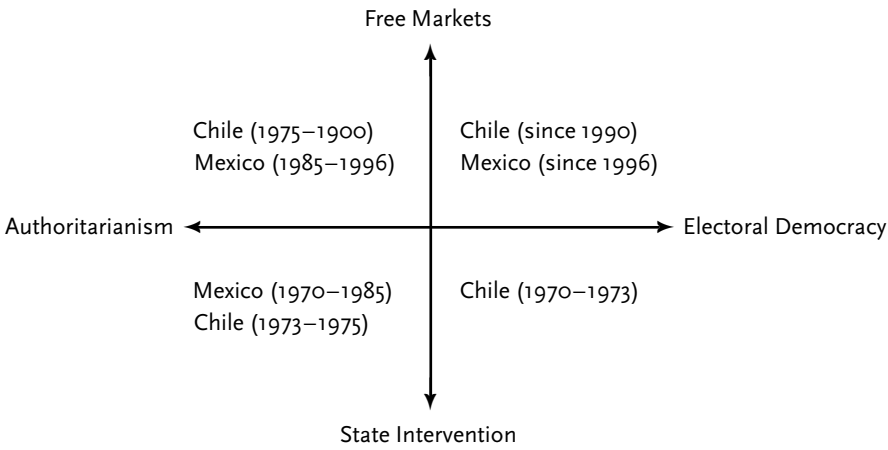

Figure 4. Chile and Mexico's Dual Transitions, 1970–2000

1938. In contrast, Mexico was under hegemonic party rule between the mid-1930s and the mid-1990s. Chile underwent a military coup, while Mexico remained a civilian regime. The lifespan of regime institutionalization during the period covered in this volume was also different. In Chile we observe the death by force of a democratic regime in 1973, followed by the birth of a new institutional system under the 1980 constitution and its operation during the post-1982 crisis years, the transition to democracy in 1990, and the first decade of "restricted democracy" rule that culminated in 2000 with the presidential victory of the first Socialist, Ricardo Lagos, since the toppling and killing of President Allende. In contrast, in Mexico we observe a mature (forty-one years old in 1970) ruling PRI fighting to retain its hegemony, which started being contested by workers, students, and peasants in the 1960s. No death-and-birth of political regimes occurred, as in Chile. In Mexico we observe the aging years of PRI hegemonic rule, punctuated by end-of-*sexenio* crises between 1976 and the formal death of its uninterrupted rule after losing the 2000 presidential elections to the Partido Acción Nacional's Vicente Fox.[35]

In addition, Chile has traditionally been a unitary country, while Mexico is federal. In the economic sphere between the 1940s and the 1960s, both countries followed a import-substitution industrialization (ISI) strategy, but whereas Chile had a sluggish, inflation-prone economy Mexico experienced high, sustained economic growth with low inflation. In terms of geography, Chile is tucked between the South Pacific Ocean and the Andean wall, while Mexico shares a 2,500-

kilometer border with the most powerful country in the world. These major differences provide good controls for a comparative analysis based on the "more different cases" research strategy.

What were Chile's and Mexico's historical trajectories given the four politico-economic models presented in figure 1? Figure 4 illustrates these trajectories. Chile started out as a state-led democracy (1970–73) and Mexico as a state-led authoritarian regime (1970–85). In turn, they underwent similar processes of politico-economic transformation under free market authoritarianism (Chile, 1975–90; Mexico, 1985–96). These similarities cannot be overstated. On the one hand, Chile started its move to neoliberalism early on (1975), and the political regime in charge of this transformation was an institutionalized military regime. In turn, Mexico was forced to adopt economic liberalizing policies only after the onset of the external debt crisis (1982), and the political regime that steered this transformation remained the civilian-based hegemonic party system under the PRI. The similarities that this volume underscores between these two "more different cases" are located in the institutional bases of the authoritarian regimes of both countries mentioned earlier: stable constitutional frameworks, agreed-upon calendars for political contestation, high institutionalized political parties and party systems, and strong executive branch authority. Finally, by the year 2000, the politico-economic transformation that had been filtered and managed through this similar institutional mix led both countries to embrace different versions of similar politico-economic systems: relatively open economies coupled with political regimes based on electoral democracy.

Chile, 1970–1982

The Death of Democracy, the Rise and Fall of Radical Neoliberalism, and the Institutionalization of the Military Regime

More than thirty years ago, economist Aníbal Pinto highlighted Chile's long-standing politico-economic conundrum. Writing in 1970, he characterized Chile as "a country that has shown for a long time a relative advance in its social organization and its institutions compared to the changes in the level of its economic structure. This dissociation has tended to become more acute during the last two decades."[1] Chile was considered a modern country with a strong democratic tradition based on a rich multiparty system, a lively Congress, a respected judiciary, and a predominantly urban, literate civil society. Its modernity was also characterized by the institutionalization of its state machinery: a professional civil service, a loyal and professional military, a political elite with a long tradition of involvement in public affairs, and a developed welfare state within the Latin American context.

This political modernity in Chile occurred in a context of slow and conflict-prone economic development. For example, from 1945 to 1973 Chile's gross domestic product grew at an annual average rate of 3.6 percent, while the rest of Latin America grew at an aggregate annual average of 6.2 percent. Its per capita income grew at an annual average of 1.5 percent, the rest of the region at 3.2 percent. Its industrial production grew at 4.4 percent, the rest of the region at 7.8 percent annually. Its agricultural production grew at 0.2 percent, the rest of the region at 0.9 percent annually. Average annual inflation for this period was 30 percent, while that of the rest of the region was 8 percent.[2] These measures do not rank Chile with respect to each of the other Latin American economies during this period. They nonetheless show with the benefit of hindsight that the Latin American country with the best economic record in the region between the mid-

1980s and the year 2000 was below the aggregate Latin American average only thirty years ago.

This dissociation between political and economic development fueled increasing politico-economic antagonisms, which led to the collapse of Chilean democracy, the construction and institutionalization of a strong military regime, and economic restructuring along neoliberal or free market lines. During the 1970–82 period, Chile and Mexico were very dissimilar cases. Chile's long-lived democracy was destroyed by a coup d'état in 1973, and the military rulers undertook the transformation of Chilean society through neoliberal economic restructuring and the institutionalization of the military regime through the adoption of a new constitution in 1980. From the perspective of institutionalization, Chile underwent three phases during the 1970–80 period: institutional destruction (the fall of its vibrant democracy), the birth of a new political regime (the military junta takeover), and the institutionalization of that regime (the adoption of the 1980 constitution).

In contrast, between 1970 and 1982 Mexico did not suffer the collapse of its political regime. The country continued to be ruled by civilians from the hegemonic party, the PRI, and successive Mexican governments undertook politico-economic reforms within the existing 1917 constitution. From the perspective of institutionalization, Mexico was a case of regime continuity—no death and birth of regimes—but this continuity was characterized by a prolonged weakening of hegemonic party rule. Mexico was a case of institutional aging and so, in contrast to Chile, the Mexican state's jurisdiction and apparatus were reformed time and again within the existing constitutional framework. Also, despite the similar outlook that the Salvador Allende and Luis Echeverría governments shared (support for the working class and the peasantry, Third World solidarity, anti-American rhetoric), they were fundamentally different. The former was elected democratically, and its aim was the socialist transformation of the country through the normal operation of liberal constitutional institutions. In contrast, the latter was elected and operated through Mexico's longstanding authoritarian regime, which was based on the PRI's hegemonic rule.

In the early 1970s, after the post-1968 rise of radical insurgency in Mexico, the aim of the PRI's leaders was to retain the regime's hegemony. Between 1970 and 1982, the administrations of Echeverría (1970–76) and of José López Portillo (1976–82) used economic populism as the main means to achieve this end, although they also used state coercion against radical dissidents in what became a small-scale (compared to Argentina, Uruguay, and even Brazil) "dirty war." Given their apparently similar outlooks, the fundamental differences between the Al-

lende and Echeverría governments therefore strengthen the choice of starting point of this analysis and its comparative design based on the "most different cases" strategy: between 1970 and 1973, Chile's political economy was in transition to socialism, whereas Mexico's was embracing economic populism as a means to retain single-party hegemonic rule.

Likewise, the Mexican regime's economic strategy contrasted with the Chilean military regime's implementation of free markets. In Mexico, presidents Echeverría and López Portillo faced the political and economic demands of a rapidly modernizing society through the expansion of the state in the economy. Between 1975 and 1982, Chile embraced a radical version of free market reforms, while Mexico promoted state-led economic development, particularly through the development of its oil industry, a state monopoly.

Notwithstanding the two countries' different political structures and the opposite economic policy strategies they followed during those years, the Chilean and Mexican authoritarian regimes suffered the economic debacle of 1982, which hit almost every Latin American country. From 1982 on, crisis management forced the two countries' politico-economic trajectories to converge.

From the *Revolución en Libertad* to the *Vía Democrática al Socialismo*, 1964–73

For at least thirty years, Chile had been a stable democratic regime amidst political instability in South America. It was also a country with strong traditions of political identification and participation. Its vibrant multiparty system represented well-organized, institutionalized political forces of the left, the center, and the right—the persistence of the "three thirds Chilean electorate," as it was called. The political and economic projects of these forces became polarized in the second half of the twentieth century. Three-tiered voting translated systematically into the creation of double-minority governments—that is, governments where the president and his party did not enjoy majority support either in the presidential or in the legislative elections.

Chilean politics were also highly ideological within the Latin American context. Its communist and socialist parties were strongly committed to Marxism. Its Christian Democrats were strongly committed to the social teachings of the Catholic Church. Its liberal and conservative parties were strongly committed to the values of private property, free enterprise, and family values. In 1964, Christian Democracy (Democracia Cristiana, DC) won its first presidential elections under its leader Eduardo Frei Montalva. He was elected under a revolutionary program

called *Revolución en Libertad*.[3] DC became the dominant party at the center of Chilean politics. The party launched a bold reformist program to prevent popular support from shifting to the Marxist left—the Socialists (PS) and the Communists (PC).[4] President Frei Montalva implemented important reforms. On the political front he enacted an electoral reform that widened political participation. In the economic realm he implemented significant land reform. He broadened the participation of the state in the economy. He also strengthened the Chilean welfare system. But Christian democratic reformism did little to dispirit the more radical reforms envisaged by the Chilean left during the 1960s and the early 1970s. The left was committed to transforming the country's politico-economic order through a Chilean version of Marxist socialism.[5]

The left joined forces in the Unidad Popular (UP) and won the presidency in 1970. The new president, Salvador Allende, proposed a new revolution, the *Vía Chilena* (or *Democrática*) *al Socialismo*.[6] The new revolution was predicated on broadening social, economic, and political participation. The UP government socialized a substantial portion of the Chilean economy in pursuit of those objectives. Economic socialization and the idea of socialism antagonized sectors of Chilean society that were in favor (parties of the left and trade unions) and against (parties of the right, the Chilean business class, the bulk of the middle class) the new program. The UP's government project increasingly polarized the left and the right, the private sector and the state, Congress and the executive. Acute political conflict fed into an already fragile economy. By 1972, the rise and polarization of the distributive conflict in the Chilean political economy threatened to produce hyperinflation. National strikes by the *gremios*—employers and professional associations—paralyzed economic activity. Black markets and scarcity became commonplace. In turn, the collapsing economic situation fed into the already conflict-ridden and deeply divided political arena. The likelihood of military intervention increased as strong politico-economic antagonisms threatened the survival of Chile's democratic regime. How did the different spheres of political organization contribute to exacerbating such strong antagonisms, which eventually led to the breakdown of Chilean democracy and the rise of military dictatorship in 1973?

At the international level, U.S. President Richard Nixon condemned the election of Allende early on. Nixon and his chief of the National Security Council, Henry Kissinger, were greatly apprehensive about the spread of communism from Cuba to mainland Latin America. The American government sponsored covert operations through the CIA, first to prevent Allende from assuming office and, when that failed, to destabilize his government. For example, the CIA spon-

sored the kidnapping of General René Schneider, chief of the Chilean General Staff, who opposed military involvement in the 1970 elections and was against preventing Allende from taking office. On October 20, 1970, an extreme right-wing Chilean group, Patria y Libertad, financed and provided with arms by American agents, killed General Schneider as they attempted to abduct him.[7] Recently declassified U.S. State Department documents indicate that the CIA continued to encourage a coup in Chile after Salvador Allende had assumed the presidency.[8] Nixon instructed the National Security Council to organize actions to destabilize Chile. Among them, Chile's economy "should be squeezed until it 'screamed.' " An "invisible blockade" sponsored by the government in Washington froze international credit and multilateral agencies' loans, which contributed to the deterioration of economic conditions in Chile and to the polarization of political and social conflict.[9]

In addition to international pressure, the UP government in Chile also faced increasingly polarized conflict over some of President Allende's reforms. For example, his government's aggressive expansionism in the economy brought the left and the right into direct conflict. Allende nationalized several industries, the most important of which was the copper industry (whose revenues then accounted for almost 80 percent of the Chilean GDP), which until then had been in the hands of American companies. This led to strong confrontations with multinational mining corporations such as Anaconda and Kennecott as well as those of other sectors like ITT.[10] Allende also nationalized Chilean businesses and implemented large-scale land reform. Big business, the *gremios,* and professional middle-class organizations bitterly disputed the socialization of the country's economy.

The threat to property rights was a direct attack as much on Chile's dominant class, made up of landowners and domestic entrepreneurs, as on middle-class small property owners. Against this array of economic and political forces, the UP's coalition of left-wing political parties and movements supported Allende and the *Vía Chilena al Socialismo*. In return, the government supported the unions. The government allowed union members to take over factories and land. The workers barricaded behind *cordones industriales* to support their claim over the means of production. As the workers' movement escalated its wage and other social demands, the government lost its influence over it. The unhappy irony for Allende's government was that it backed radical workers over private entrepreneurs but eventually lost the support of both. The UP became progressively isolated.[11]

As a consequence, confrontations between left- and right-wing forces became

more heated. When leaders of the center (Partido Democracia Cristiana, or DC) and the right (under the *Partido Nacional,* or PN) parties realized that Allende had lost control of the movement and could not moderate his reformist zeal, they decided to corner the government. The DC refused to negotiate an institutional way out of the political crisis. As conflict and violence increased, political leaders of the DC and the PN came to think that the only way to end the conflict was through the intervention of the armed forces and the deposition of Allende and the UP government.[12]

The crisis spread to civil society. Powerful popular organizations supported the workers. Some supported the radical initiatives of some of the parties and movements that formed the governing coalition, as the PC and the Movimiento de Acción Popular Unitario (MAPU) did. Others opposed them and supported Allende's more moderate "democratic way to socialism." Still others supported the DC and the PN in their opposition to the general strategy of the government. Strikes and street violence spread. Wage claims had spiraled out of control, and hyperinflation loomed on the horizon. The economy was paralyzed. Political conflict pervaded all levels of political organization. The fear of international communism and of a possible social revolution in Chile prompted the military to execute a coup d'état against Allende's government and the country's democratic regime on September 11, 1973.

Military Dictatorship and the Rise of Radical Neoliberalism, 1973–77

General Augusto Pinochet's coup did not come out of the blue. Allende's government was the culmination of increasingly polarized ideological, political, and economic conflict within Chile. Strong politico-economic antagonisms spilled over and took over public life. The democratic regime's breakdown was vividly felt as the media around the world transmitted images of Chilean Air Force fighters bombing the government palace of La Moneda. The infantry stormed the palace, later on removing bodies from it, including that of President Allende. This was the climax of the years of political polarization and radicalization.

Between 1970 and 1973 the economy featured an unstable mix of high deficit spending and low investment. The interaction of this economic agenda and highly ideological politics worked to bring to a dramatic end two decades of utopian politics and increasingly polarized conflict in Chile.[13] Heightened politico-economic conflicts in this period also facilitated military intervention, the break-

down of the democratic regime, and, later on, the justification of radical economic reforms along neoliberal lines.

The Political Sphere: State of Emergency Rule

A first period of early military rule in Chile unfolded between 1973 and 1975. Immediately after September 11, 1973, the Chilean polity underwent a radical suppression of democratic politics. During the next couple of years, the military ruled through the imposition of emergency declarations. Political institutions and individual guarantees were cancelled. Order was re-imposed through the direct threat and use of military and police force. The emergency situation allowed the military junta to disconnect the political from the economic spheres, which allowed the junta to control the strong class-based distributive conflict that had plagued Chile for so many years. Traditionally strong class politics were thus cancelled through the military implantation of recurrent states of emergency. The DC had hoped for a restoration of democracy once the radical sectors of the left had been destroyed, but they misjudged General Pinochet and the long-term politico-economic ambitions of his associates.

During this first period, the cancellation of politics and rule through the dictates of the military junta created an institutional vacuum in a country with strong democratic political institutions and a strong legalistic culture. That void extended not only to the state and the regime but also to the organized economic and political interests outside the regime.[14] The 1925 constitution was suspended, and political society was suppressed through the abolition of political parties and of political activity in general. The Congress was shut down. The military took direct control of local governments and burnt the electoral register. The Supreme Court, which had supported Allende's ouster and had remained in operation—the military were keenly aware of the country's legalistic culture—legitimated these measures.

The mediation of economic interests was banned. The military outlawed the traditionally strong labor movement and its trade unions. It also intervened in employers' *gremios*. Civil society was disbanded through the intervention or the banning of intermediate organizations, such as professional associations. Moreover, the military took over the universities and exercised rigid media censorship.

Following the National Security Doctrine, the new military rulers in Chile saw themselves as waging an internal war, in this case a war to extirpate the "evil forces" of Communism from the fatherland.[15] In contrast, those who opposed the

coup have claimed that the regime simply developed systematic state terrorism practices against Chilean society. Such conflicting interpretations fractured Chilean society's political memory, an effect that has persisted into the twenty-first century.[16] Having professionalized political persecution and elimination through the creation of the Dirección de Inteligencia Nacional (DINA), the regime's political police efforts to track down and destroy the Chilean left and other dissenters were ever-present during this period.[17] It irreversibly transformed the Chilean political landscape. In particular, the organized Chilean labor movement, one of the oldest and strongest in Latin America, was repressed and its institutions disbanded.[18] Likewise, both the leaders and rank-and-file members of political parties, particularly Socialists and Communists, were persecuted and hunted down; the radical Chilean left was eviscerated through exile and death. Even Christian Democrats and nationalists were bullied into submission to the military's politics of anti-politics.[19]

The Chilean military's early actions can be contrasted with the Mexican political situation under President Echeverría. In Mexico the PRI regime also had to face political dissidence and activism from the left. Echeverría responded by coopting left-wing intellectuals, young political leaders, and activists into the machinery of the Mexican "revolutionary" regime. Only after cooptation failed did Echeverría move quickly to coerce also the radical groups from the left.[20]

The deepening of the severe economic crises that Chile had experienced since mid-1972 also increased the general uncertainty. One of the justifications of the military takeover was the unraveling of the national economy during the Allende years.[21] Even though the new military rulers faced the task of stabilizing capitalist relations and restarting economic growth, they lacked a clear economic policy during the early emergency period. At first they opted for a "gradualist" stabilization policy consisting of monetary tightening, fiscal austerity, and moderate trade liberalization.[22] Nonetheless, by mid-1975 Chile faced an external shock due to the collapse of copper prices in the international market. The economy faced a balance-of-payments crisis: the country spiraled toward hyperinflation (343 percent that year), while its annual GDP contracted by 12.9 percent. By this time the military was in urgent need of a new economic policy. Mexico also faced a deep economic crisis in 1975–76. From the perspective of the paired comparison of Chile and Mexico, this crisis was a key differentiating juncture. Whereas the Chilean military regime sought radical neoliberal restructuring, the Mexican regime under Echeverría's successor, López Portillo, opted for state-sponsored heavy industrialization based on the development of the oil industry, a state

monopoly. The economic trajectories of both countries diverged even more between 1975 and 1982.

The Economic Sphere: The Adoption of Radical Neoliberalism

A second period of early military rule in Chile can be traced to the mid-1975 external shock in Chile. The economic emergency forced the junta to reconsider its crisis management strategy. This second period was characterized by orthodox economic stabilization, adjustment, and restructuring. The junta members, among whom General Augusto Pinochet gradually developed preeminence, knew that uncontested military and political domination alone would not permit them to rule Chile effectively. According to Pablo Baraona, one of Pinochet's early ministers of economy, the junta members realized quite quickly that effective government after the UP's governing experience required the imposition of order and stability in the economic sphere.[23] Only sustained economic improvement among diverse social groups could provide the military junta with popular support in the short term and legitimacy cemented in a permanent broad social constituency in the long term. Pinochet stressed this point by reminding the junta's members early in 1977 that the Chilean military government's project was not transitory but permanent.[24] In this respect the Chilean junta did not regard itself simply as a caretaker government, as, for example, had repeatedly been the case in neighboring Argentina.

During this second period, government effectiveness was enhanced through both political and economic policy. In the political realm, state terrorism persisted. Chileans who opposed military rule continued to be targeted and eliminated, both in the country and abroad. At the international level, the Chilean military—through the DINA, its secret police—and other military regimes in South America, such as that in Argentina under Videla and Paraguay under Stroessner, created Operación Cóndor. This operation, aided by American resources and intelligence, internationalized the use of death squads for the elimination of leftist dissidents. Among others, it was responsible for the assassination of General Carlos Prats in Buenos Aires because he had publicly opposed Pinochet's coup. The operation also carried out an attempt against the life of former DC senator Bernardo Leighton in Rome.[25]

General Pinochet and U.S. Secretary of State Henry Kissinger met in June 1976 before the latter addressed the Organization of American States (OAS). They discussed the issue of human rights violations connected with the Chilean

military regime. Kissinger told Pinochet that in his address to the OAS: "I will say that the human rights issue has impaired relations between the US and Chile. . . . I can do no less, without producing a reaction in the U.S. that would lead to legislative restrictions." However, he added, "My evaluation is that you are a victim of all left-wing groups around the world. . . . We welcomed the overthrow of the Communist-inclined government here. We are not out to weaken your position."[26] The American government's support for the targeting and elimination of left-wing dissidents backfired a few months later. On September 21, 1976, DINA agents assassinated former Chilean foreign minister Orlando Letelier and his aide, Ronni Moffitt, in Washington, D.C. This event had a strong impact on American public opinion.

As a result, the Chilean military became increasingly isolated on the external front. International organizations such as the UN and OAS joined innumerable national governments in condemning the human rights violations perpetrated by the Chilean military. Countries such as Mexico, Colombia, Venezuela, Great Britain, France, Germany, and Sweden offered political asylum to nearly twenty thousand Chileans between 1973 and 1976.[27]

Even more significant, party change in the U.S. presidency in 1977 represented a heavy liability for the Chilean junta. Whereas Presidents Nixon and Ford supported the junta as part of the Republicans' war against world communism, Democrat Jimmy Carter's presidential victory brought about a significant change in American foreign policy. For Carter the enforcement of human rights became a top foreign policy priority. Between 1977 and 1980 the Carter administration and Congress were critical of military rule in Chile, and implemented trade, cooperation, and aid sanctions against it.[28]

In contrast to the persistence and deepening of political and diplomatic conflict, the economic front was characterized by the successful stabilization of the national economy between 1975 and 1977. Advocates of "gradual" stabilization lost the battle after two years of deepening economic crisis. Faced by the threat of hyperinflation and the collapse of the economy in 1975, the junta sought the assistance of the IMF. In this way the military decided to allow the implementation of an orthodox shock and the initiation of structural reforms.

Advocates of orthodoxy and economic liberalization, having competed against structuralist/interventionist economists to win the military's favor, came to the forefront. Several of these orthodox economists, afterwards known generically as the Chicago Boys, had worked at the Oficina de Planificación Nacional (ODEPLAN) since 1973.[29] An intensive academic exchange program between the economics departments of the Universidad Católica in Santiago and the University of Chi-

cago stretching back to the mid-1950s, led to the creation of the cadres of free market–oriented technocrats who implemented the neoliberal transformation of the Chilean economy.

Following requests from top-ranking naval officers, the Chicago Boys had put together an alternative economic project even before the 1973 coup. This project, known as El Ladrillo, spelled out a radical economic transformation of the Chilean economy along market-oriented lines. As a top-ranking Chicago Boy in the Ministry of Economy during the period later admitted, the economic project was a direct consequence of the naval officials' hope that the Allende government would be overthrown, and they wanted to have a long-term orthodox economic alternative plan to transform the Chilean economy in place for the incoming military government.[30]

But the appearance of El Ladrillo meant more than the victory of one crisis management economic strategy over another one. It was also an ideological and political victory for the advocates of a free market, export-oriented economy in Chile, who had debated and clashed with the supporters of state intervention and import-substitution industrialization, the economic strategy that successive Chilean governments had followed since the Depression of the 1930s. For example, the government of President Jorge Alessandri Rodríguez (1958–64) tried to curtail state interventionism and to support economic liberalization but was largely unsuccessful due to lack of majority support in Congress. When Alessandri ran again for the presidency in 1970, his election manifesto was strongly in favor of economic liberalization.[31]

Economic liberalization had multiple bases of intellectual as well as political support in Chile, with roots preceding the Chicago Boys' rise to prominence. Just as center and right-wing parties used Congress and the judiciary to fight the UP government in the political sphere between 1971 and 1973, El Ladrillo contained an ambitious long-term economic program to reverse the UP government's socialization of Chile's economy. Neoliberalism was thus not only a set of economic policies and reforms but also an ideological and political blueprint that identified the center and right forces that opposed the *Vía Chilena al Socialismo*.[32]

The neoliberal economists' chance to stabilize and restructure the Chilean economy therefore arrived with the external shock of mid-1975. The Chicago Boys' leader, Jorge Cauas, was granted by presidential decree wide regulatory and coordinating faculties to implement an orthodox shock.[33] The plan was based on two pillars: a contractionary shock on demand and implementation of structural reforms.[34] Government expenditure was cut 27 percent, tax revenues and public prices were increased, and real wages were contained and pushed downwards in

1975. On the structural reform side, a first wave of privatization of public enterprises was initiated. It included the sale of banks. Prices in the economy were liberalized and interest rates rose at the same time that trade liberalization was implemented. Alejandro Foxley, treasury minister a decade and a half later, considered that the evolution of indicators after the 1975 shock "showed mixed results. . . . The policies generated a deep recession with industrial production falling 35 percent and unemployment reaching 20 percent in 1976 . . . but the rate of inflation fell and came under control. . . . By early 1977 this encouraged an expansion in real wages, which helped industrial production and a consequent fall of unemployment to 13 percent."[35]

Successful economic stabilization and early restructuring gave the military junta crucial breathing space during a particularly vulnerable time. Unlike their military counterparts in Argentina and Uruguay, who were unable to stabilize and renew economic growth in the short term, the Chilean military leaders and their new economic team were able to halt the deterioration of the economy.[36] This second stage had strategic importance for the junta because without successful economic stabilization, the military's popular support and performance legitimacy would have remained low. Moreover, the longer it took to achieve economic stabilization and resume growth, the more likely that new opposition and social unrest would reappear.

The Chicago Boys were able to sell the idea of stabilization and adjustment through economic orthodoxy. A Gallup poll in April 1975 found that 76 percent of Chileans thought that Pinochet was trying to help "everyone in Chile," 78 percent trusted the military to fix the country's problems, and 79 percent wanted a strong authoritarian government.[37] The junta gained performance legitimacy, and this lengthened the time horizons available to the primary political and economic actors. Moreover, successful macroeconomic management in the short run laid the foundations for a strong governing coalition. This coalition was made up by the military, the Chicago Boys, and the *gremialistas,* a Catholic-corporatist university organization whose leaders, including Jaime Guzmán and Sergio Fernández, favored the establishment of a military regime that would, in time, become a protected or tutelary democracy. These groups took control of the Chilean state and were enthusiastically supported by the internationally oriented Chilean business community and leading elements in the international financial community.[38]

The junta, under the aegis of General Pinochet, thus adopted the Chicago Boys and their neoliberal economic project as the spearhead of the economic, political, and social transformation of Chile. As a consequence, the neoliberal paradigm also became one of the military government's strongest justifications. It claimed

that only the strength of the military could lay the foundations of such a radical and ambitious national project of long-term transformation. Thus the project remained secure and retained its monopoly under the aegis of Pinochet and the power bloc that assembled around him.[39]

Looked at from a comparative perspective, this positive ideological justification became a crucial politico-economic asset. Unlike its counterparts in Argentina and Uruguay, the Chilean military junta was able to transcend its purely negative raison d'être—the defense of national sovereignty against communism and its "internal agents"—through the claim that it was engaged in a radical transformation, or "modernization," of the economy. It is worth remembering Linz's drawing attention to a purely negative raison d'être as an ideological weakness of authoritarian regimes and the need for a positive one if they are to be able to institutionalize their rule. This the Chilean military regime did by stabilizing the economy and touting the imminent restoration of sustained high growth rates, not seen in the country since the 1930s.[40] Armed with this discourse, the military and its supporters achieved a more secure grip on power. The time had come to institutionalize their rule.

The Institutionalization of the Military Regime, 1977–80

Once economic stabilization and early restructuring were on their way, the military and its civilian allies in mid-1977 proposed the institutionalization of the regime to guarantee their project of radical, long-term transformation.[41] Given its legalistic tradition, de facto rule and states of emergency could not become a permanent feature in Chile, as opposed to what the military regime intended in Argentina.[42] "Institutionalization" in this context meant the drafting and implementation of a new constitution for Chile. This was done in 1980. The centralization of authority in Pinochet and the creation of the 1980 constitution structured the Chilean polity through conservative constitutionalism and a market-oriented economy, the free market authoritarianism discussed in the introduction.

From mid-1977 to about 1981, the Chilean political economy experienced the rise of synergistic politico-economic interactions that strengthened the Pinochet regime's version of the liberal authoritarian model. The strengthening of the military regime, coupled with strong, short-term economic growth—which were attributed to the neoliberal reforms—stabilized international expectations about Chile's future.[43] A U.S. embassy report of 1980 stated that "Chile appears in the vanguard of a world wide neo-conservative response to the menace of growing inflation. From an isolated beginning in 1975 Chile has seen variations of ortho-

dox monetarist-fiscal policies take hold in several other countries."[44] The favorable politico-economic conditions for domestic and international military regime sympathizers strengthened the opinion that the synergies were the result of a strong and stable political order coupled with a robust, dynamic economy in Chile.[45] A similar uplift of economic expectations for Mexico occurred during this period. Nonetheless, strong short-term economic performance in both countries came about by following opposite economic policy strategies. While the Chicago Boys implemented market liberalization in Chile, López Portillo's government in Mexico was engaged in state-led heavy industrialization through the development of the oil industry.

This did not mean that antagonistic interactions disappeared during this period, in either Chile or Mexico. Antagonistic and synergistic interactions lie dormant and coexist at different levels of political organization in any country. During this period both dynamics coexisted in Chile. Antagonisms remained strong at the regime and the civil society levels, where the military regime and its supporters were obliged to confront the opposition. The opposition was led both by the Catholic Church and the proscribed political parties' leaders over such questions as human rights violations, the high social costs of economic restructuring, the legitimacy of the 1980 constitution, and the eventual return to democracy.[46]

Notwithstanding these facts, developments at other levels of political organization strengthened the forging of the new liberal authoritarian order. For example, at the international level, the election of Ronald Reagan as president of the United States in November 1980 together with the prior election in January of a conservative government in Britain under Margaret Thatcher brought about a very positive change in the foreign relations for the military government. Among other things, wrote Heraldo Muñoz, "the Reagan administration lifted the prohibition imposed by Carter's government on credits from the Ex-Im Bank to finance U.S. exports to Chile, and the White House convinced Congress to suspend the weapons' embargo to that country."[47]

Moreover, in the international economic sphere, Chile benefited greatly in the short term, as did many other Latin American economies, from the petrodollars' international credit boom of the second half of the 1970s. Compared with the persistent economic crises faced by military regimes that also implemented neoliberal reforms during this period in Argentina and Uruguay, the Chilean regime used high international liquidity to produce "the national economy's golden period during the early years of military rule."[48]

However, the massive financial inflows had a double-edged character. On the one hand, "they gave way to a great rise in aggregate demand, which helped the

real sector of the economy and real wages to recuperate their pre-1974 levels," observed Joseph Ramos. But they also "financed increasing trade and current account deficits, and doubled the country's external debt in only two years."[49] Nevertheless, advantageous international political and economic developments for the military regime did ease its position and strengthen its grip on power in the short term.

The case remains, however, that the key politico-economic restructuring that furthered synergistic interactions took place domestically, not internationally. Such restructuring consisted of Pinochet's centralization of power, the appearance of a strong social and political coalition backing radical neoliberalism, and the creation of the 1980 constitution.

One-Man Rule, a Strong Coalition, and Radical Neoliberalism

The Chilean military leadership, unlike in Argentina and Uruguay, was able to create "a regime whose non-democratic base is a hierarchical military that is united and has strong civilian allies."[50] This configuration gave the military regime two comparative advantages. At the political regime level of analysis, it allowed the development of strong centralized decision-making capacity through, according to Genaro Arriagada, minister of the presidency more than a decade later, "an efficient, coordinated division of labor between the military and a civilian technocracy."[51] At the level of organized economic interests, it allowed the creation of a durable social and political coalition that included support from strong middle-class sectors and from strengthening outward-oriented business groups. This gave the military regime crucial social and intellectual support as well as abundant economic resources, which were conducive to the transformation of Chile along neoliberal and conservative constitutional lines. These factors in turn shaped the development of politico-economic synergies during this period. How did they come about?

With respect to the causes of regime strength and cohesion, Ascanio Cavallo and his colleagues have quite rightly asserted that the centralization of authority under General Pinochet was one of the most important factors.[52] Effective centralization minimized power struggles within the regime, a problem that plagued other military juntas in the Southern Cone region. Unlike the fragmented military leadership in Argentina, which kept successive leaders of the junta in a weak position vis-à-vis their colleagues, Pinochet became the undisputed regime leader in Chile. Early on, according to decree 806 of the junta, Pinochet assumed the titles of "President of the Republic, chief of the Executive, and *Jefe Supremo de la*

Nación."[53] Despite opposition from his colleagues in the junta, in particular Admiral José Toribio Merino and Air Force Commander Gustavo Leigh, the decree was signed "in the name of the Armed Forces' unbreakable unity." President Pinochet then went on to consolidate his undisputed leadership in July 1978 by forcing the resignation of Commander Leigh, his strongest opponent within the junta and a proponent of a return to full democracy.[54] These measures, along with the ability to monopolize the channels of access and promotion to decision-making positions, paved the *Jefe Supremo*'s path to a true consolidation of the Chilean military regime around him. It can thus be argued that vertical control over the regime's dynamics gave Pinochet and the Chilean Armed Forces the space to build strong state capacity, a prerequisite for the implementation of bold economic reforms.[55] Unaccountable centralized authority also gave the military regime in Chile more relative autonomy from societal pressures than its counterparts in Argentina or Uruguay.[56]

With respect to organized economic interests, the Chilean regime's unique strength and capacity for self-reproduction among military regimes in Latin America stemmed from the rise of a powerful and durable social and political coalition. This coalition included the military high command, a cohesive technocracy that became "the government's economic team," the *gremialistas*, a powerful right-wing university group, influential outward-looking sectors of the Chilean business community, and influential elements of the international financial community.[57] It was not strong state autonomy per se but rather the development of such a dominant social and political coalition that allowed the country's neoliberal revolution to happen.[58] The dominant coalition provided the ideological justification, the incentives to sustain a strong political will, and the institutional, economic, and human resources to carry out, in the words of a young supporter of liberal authoritarianism and future presidential contender, a "silent revolution in Chile."[59]

Ideologically, short-term success in economic stabilization and restructuring provided the justification for the deepening of neoliberalism. The "Chilean economic miracle" was not simply a case of "success breeds success." As seen above, it included a strong ideological component because economic liberalism had had strong intellectual and political advocates in Chile since the adoption of import-substitution industrialization (ISI) in the 1930s. Structuralist and neoclassical economists had thus been at odds for half a century with respect to the model of economic development appropriate for Chile. In particular, from 1978 onward radical neoliberalism was justified on a "redefinition of state-society relations that will privilege market mediation."[60]

The neoliberal model assigned a perverse role to the state. Accordingly, the state's discretionary handling of economic policy had produced a long-term vicious circle that culminated in the economic and political crisis of 1970–73. The principal assumption behind the neoliberal model was that the economy would only be able to experience a high rate of expansion under stable conditions if all obstacles to market forces were eliminated. In short, the economy had to undergo de-politicization if it were to become efficient. Moreover, the market would also provide more efficient discipline of individuals' behavior than the state. This was seen as particularly relevant given the high degree of social and political turmoil experienced in the late 1960s and early 1970s, not only by Chile and the neighboring Southern Cone countries but also by advanced democracies. The policy implications were that state intervention should be restricted to the provision of order, public goods, and basic infrastructure. The private sector should be supported to become the engine of growth and development.[61] The contradiction with free market authoritarianism in Chile was that while it advocated restricted state intervention in the economic sphere it also required extensive, forceful state intervention and coercion to enforce the de-politicization of the country's political economy.

The systematic criticism of heavy state intervention in the economy had been articulated also in the industrialized democracies from a variety of ideological perspectives. Neoclassical economics and public choice theory articulated a critique that became a powerful political weapon of the "New Right."[62] Neo-Marxists articulated a left-wing criticism of the welfare state as well.[63] The questioning of the postwar planned economy paradigm was thus not restricted to one or two countries but was rather a widespread phenomenon throughout the 1970s in the advanced capitalist economies as well as in developing ones. Among developing countries, Chile became the undisputed pioneer in the implementation of the neoliberal model. In contrast, during these years the Mexican government upheld the ideological blueprint of revolutionary nationalism, heavy state intervention in the economy, and hegemonic party rule.

Armed with the neoliberal discourse, the cohesive social and political coalition in favor of military rule in Chile supported the implementation of market-oriented policies. Pinochet claimed that economic modernization would guarantee that Chile would not experience again the deep politico-economic antagonisms that had led to the 1973 breakdown.[64] The military regime had thus found a new positive raison d'être: it had not only restored political order in Chile, it was also in charge of the most ambitious economic modernization project since the 1930s.

The dominant coalition remained in favor of radical neoliberalism because all its partners benefited politically and economically from it in the short run. The neoliberal lobby included entrepreneurs and employees that operated in high-liquidity, internationally oriented businesses. The removal of state intervention in the economy meant immediate profits for them. To Pinochet and his military circle, an alliance with neoliberal economists and internationally oriented businessmen provided two short-term benefits. On the one hand, the Chicago Boys had been successful in stabilizing the economy and initiating structural reforms. On the other, internationally oriented businesses could provide hard currency to the country. This issue was particularly critical, as the military regime had been ostracized from the international community, and multilateral agencies' credits to Chile were on standby between 1977 and 1980. These benefits allowed the military junta to forge an alliance with the Chilean businesses that controlled the most dynamic sectors of the economy. It was a marriage of convenience between economic and state power: "Pinochet's protection boosted the internationalists' economic power . . . and the dynamic economy created by them boosted Pinochet's political power."[65]

The dominant coalition also enhanced its institutional and economic resources through the implementation of radical neoliberalism. The backbone policies of this program were threefold: First, privatization was introduced, a policy implemented to reduce the economic importance of the state through cuts in public expenditures, through extensive deregulation, through incentives for private initiative, and through limits to the number of public enterprises. Second, trade liberalization was implemented to integrate the Chilean economy into international markets with a view to enhancing its competitiveness and allowing it to develop a dynamic export sector. Third, financial deregulation was intended to reduce the limitations on foreign investment, foreign credit, and foreign exchange transactions, which would help to raise the levels of investment.[66]

Radical neoliberal policies were phased in throughout the 1975–80 period. Even though the ideological blueprint of neoliberalism informed regime supporters, market-oriented policies resulted from a series of ongoing political struggles because they yielded institutional and economic winners and losers.[67] On the institutional side, the transfer of economic accumulation and regulation from the state to the private sector benefited the internationally oriented business community, which organized its new wealth under big groups known as *conglomerados*—they included banking, manufacturing, and services companies. Their owners and directors had common social links with the Chicago Boys, many of whom had employment histories linking them to the *conglomerados*. This gave them priv-

ileged access to the privatization process and to the formulation of economic policy. Financial deregulation allowed affiliated banks to engage in massive external borrowing. This led to a dramatic increase in private foreign debt, which enhanced the *conglomerados'* short-term position at the expense of Chile's macroeconomic indicators. According to the Economic Commission for Latin America and the Caribbean (ECLAC) by 1981 Chile's foreign debt was the highest per capita in all of Latin America.[68]

The main institutional losers of radical neoliberalism were the unionized Chilean workers. Labor relations had remained open to criticism since the military takeover in 1973. Confronted with a potential trade boycott broached by the American union AFL-CIO, Pinochet assigned José Piñera to elaborate a labor plan in 1978. The plan followed neoliberal prescriptions. According to Eduardo Boeninger, future minister of the presidency, it included "a shrewd combination of modernization in the direction of labor relations' flexibility, in accordance with a modern market economy, and of legal limits and conflict controls in accordance with a protected democracy project."[69] The plan, which two years later became the Labor Code, severely constrained workers' rights by "restricting union financing, not recognizing the legal existence of workers' centrals, making unionization very difficult, and hindering unions' negotiating activities, particularly where collective bargaining and strikes were concerned."[70]

The big economic winners of the program of radical neoliberalism were the *conglomerados*. Privatization and financial deregulation allowed them to grow out of all proportion. Underlying this growth was a dramatic process of wealth concentration. It has been estimated that whereas in 1970 twelve groups controlled 51.5 percent of the assets of Chile's 250 largest firms and banks, by 1978 three *conglomerados* controlled 40 percent of the patrimony of Chile's 250 largest firms, 46 percent of private sector banking assets, and 33 percent of *financieras*' credit.[71] The main economic losers of radical neoliberalism were the economic sectors tied to the domestic market, in particular medium and small industrial, agricultural, transport, and commerce businesses; public sector suppliers and employees; and the working classes. Some of the hardest-hit employers' associations—ANPT, CPA, and CNT—voiced their opposition to radical neoliberalism, particularly after the Chilean economy collapsed in 1982.[72] However, given the severity of the economic crisis their sectors were in, they did not possess the means to voice credible threats to the government. Unlike outward-oriented business, domestic-oriented ones were excluded from the policymaking process. The government's answer to any criticism coming from the business sector was to threaten those business leaders who "engage in politics."[73]

Finally, rolling back the state led to an unprecedented widening of income and wealth inequality in Chile. State retrenchment from employment, redistributive, and social functions hit the middle and lower classes. Fiscal spending dropped from 39 percent of GDP in 1974 to 23 percent in 1981. This affected several areas. The growth level of public employment fell 20 percent between 1974 and 1978. Social spending was 4.3 percent lower in 1979 than it was in 1970. The areas that were most affected by this real decline were housing, education, health (public assistance and employment programs increased significantly), and social security, which was privatized in 1981 under Administradoras de Fondos de Pensiones (AFPs), which then became an international model for the management of private pensions. The liberalization of prices coupled with tough wage restraints translated into a big drop in the average real income. In 1975, households' income represented 60 percent of the value it had in 1970. In 1980 real income was still below the levels reached at the beginning of the 1970s.[74]

Notwithstanding the high social costs of economic adjustment and restructuring between 1975 and 1980, the comparatively strong performance of the Chilean economy in the short term created the impression of a "Chilean miracle." The reorganization of the economy allowed the creation of a strong politico-economic alliance between the military regime and the most powerful fraction of Chilean business. The articulation of a cohesive neoliberal politico-economic ideological discourse was used effectively to explain the ills of the past and to project the military regime into the future. To complete the military regime's institutionalization and ride the wave of the good economic times, Pinochet and his advisers decided to hasten the drafting of a new constitution for Chile. The new constitution legally sanctioned the synergistic interactions between political authoritarianism and the neoliberal economic order.

Crafting a New State: Regime Institutionalization through the 1980 Constitution

Unlike their military counterparts in Argentina and Uruguay, who were unable to lay durable foundations for their societies on the basis of constitutionalism, the Chilean military leaders were successful. The 1980 constitution of Chile can be considered a foundational document not only because it regulated the country's transition to democracy but also because it has remained the highest law of the land into the twenty-first century.

From the perspective of dual transitions adopted in this work, the 1980 constitution created the institutionalized foundations of a new Chilean polity. The key

purpose of the framers of the new constitution was to provide the institutional foundations of a Chilean polity capable of containing and keeping at bay politico-economic antagonisms such as the ones that had culminated in the military coup and the collapse of the democratic regime in 1973. Starting in 1974, the military's civilian advisers worked to modify the 1925 constitution. Civilian advisers identified with the *gremialistas* supported the idea that Chile had to be a "tutelary" or "restricted" democracy, an idea that General Pinochet supported. Accordingly, Chile required a new fundamental law and an extended period of time to prevent the resurgence of past vices.[75] Taking advantage of the robust economic recuperation that the country experienced during this period and the widespread perception of a "Chilean miracle," Pinochet and his advisers felt that the time was ripe to draft and submit to public consultation a new constitution.

This process started in July 1977 with a speech that Pinochet delivered in Chacarillas. He alluded to the need for a "gradual construction of our new institutionality." He announced that "democracy in Chile will be authoritarian, protected, integrative, technified, and of authentic social participation." The chronology contemplated to create the new state and political regime would follow the following phases: firstly, "a recuperation phase in which the Armed Forces will remain in charge. It will be ruled by Constitutional Acts passed till the end of 1980; secondly, a transition period in which there will be increased civic-military governmental co-operation through partial Congress elections; and lastly, a period of constitutional normality in which power will return to civilians under a tutelary democracy."[76]

The project's supporters claimed that the military's "foundational project through a new constitutional order was essential to protect [Chilean] society from the dangers that had led to the global crisis of 1973."[77] Its detractors answered that the new constitution "had been imposed through the September 11, 1980 plebiscite [that Pinochet called to ratify it]. . . . There could not be a free election or plebiscite in a country that was not free. . . . The plebiscite took place without an electoral registry . . . and only government sympathizers were in charge at the polling stations."[78] Despite these allegations, the government claimed that it had carried the day by receiving 67 percent approval in the plebiscite. What were the core ideas that became enshrined in the constitution? What did this mean for the future transition to democracy and for the neoliberal economic order? How did the new constitutional order help to shape Chile's dual transition?

Following the *gremialistas'* ideas, notably articulated by Jaime Guzmán, the 1980 constitution came to be grounded on two philosophical-legal traditions. The first is libertarianism, a political philosophy doctrine that is committed to a de-

fense of the market mechanism by appeal to a broad notion of personal freedom —the right of each individual to decide freely how to employ his or her powers and possessions as he or she sees fit.[79] According to this view, economic regulation and intervention by the government unacceptably limits personal freedom. Moreover, "the more governments are able to control economic life, the more able (and willing) they will be to control all aspects of our lives. Hence capitalist freedoms are needed to preserve our civil and political liberties." In F. A. Hayek's classic formulation, economic freedom is a necessary prerequisite of political freedom: failure to safeguard that freedom puts a society on "the road to serfdom."[80] Libertarians thus think that market freedoms are a means to protect political and civil liberties. The practical way to incorporate this claim into a legal-political system is by "giving people property rights. [In its strong rights version], individuals have rights, and there are things no person or group may do to them (without violating their rights)."[81]

Applied to Chile in the late 1970s, this theory provided the rationale behind the strong rights approach enshrined in the 1980 constitution, Article 19, Sections 1 to 26. This article strengthened individual rights, first and foremost private property rights, and the principle that no law can affect the rights guaranteed by the constitutional text.[82] Despite its defense of strong property rights, the Chilean variety of libertarianism was quite socially conservative. Pure libertarians defend the right of individuals to employ their powers and possessions as they see fit. This might include supporting laws that liberalize homosexuality, divorce, and abortion. However, Chile has been and remains a socially conservative country, and its libertarianism followed this philosophy: it was interested in restoring traditional values, strengthening patriotic and family values, pursuing a nationalist and anti-Communist foreign policy, and reinforcing respect for authority, all of which may involve limiting "disapproved lifestyles."[83]

The rise of socially conservative libertarianism can be seen as an international ideological phenomenon that coincided with the rise of the New Right in the United Kingdom and in the United States. It was a strong ideological weapon that leaders such as Reagan and Thatcher used to fight the Cold War and to check the liberal tendencies in their own societies.[84] In Chile it also came about as an ideological weapon against the Marxist left. Chilean leaders were so keen to be identified with libertarianism that they invited Hayek to meetings in Chile, which he duly accepted. Articles by Hayek also appeared in the leading Chilean academic journal *Estudios Públicos*.[85] However, libertarianism was not simply a political fad. It was the culmination of a bitter political confrontation over the value and

the limits of private property. This conflict gained prominence in Chile starting in the early 1960s.

In particular, the 1925 constitution's right to private property (Article 10) was reformed during the governments of Jorge Alessandri Rodríguez, Eduardo Frei Montalva, and Salvador Allende. Article 10 was first amended in 1963, following President Kennedy's reformist Alliance for Progress, "to regulate expedient agrarian reform" in Chile. It was amended again in 1967 to "allow the law to establish the limits and obligations that permitted to secure the social function of property, and to make it accessible to everyone." Lastly, it was reformed in 1971 to "broaden the scope of the social function of property . . . and introduce the concept of 'nationalization' to trespass the great transnational copper industry to the public domain."[86] Throughout these years, the Chilean right acting through the Liberal and the Conservative parties that had joined forces to create the PN in 1969, opposed the legal dispositions that increased private property's social function. Their commitment to the strong version of property rights brought them in direct confrontation with both the reformist Christian Democrats, on the one hand, and the Socialists and Communists, on the other.

The dispute climaxed with the 1973 breakdown of democracy. Indeed, the UP government's attempt to force a rapid socialization of private property became one of the pillars upon which the Chamber of Deputies based its August 23, 1973, accusation and delegitimization of Allende's government. The Chilean Supreme Court also declared unconstitutional many of the property takeovers by UP sympathizers. A key exception was the nationalized copper industry, under a state monopoly, CODELCO, which provided the military with hard currency. The armed forces also invoked the "attack on property" as one of the justifications for toppling Allende on September 11, 1973.[87]

After the military takeover, the forces in favor of strong and constitutionally guaranteed individual rights, such as the *gremialistas* and the neoliberals, supported the military regime. Such intellectual and political support became very significant because it provided the technical competence and the social legitimization necessary to forge the 1980 constitution and its strong version of property rights.[88] In turn, the restoration of a strong version of property rights in the constitution became one of the most important guarantees of the future permanence of the country's neoliberal politico-economic transformation. For example, the right to private property was reestablished as a constitutional guarantee (article 19, section 24). The social function of property was restricted to the general interests of the nation, national security, utility and public safety, and environ-

mental conservation. Enshrined as a constitutional guarantee, the right to private property was thus put under the protection of the judiciary and was taken away from the potentially progressive, center-left legislature.[89]

The second strand of political philosophy advanced by the *gremialistas* and other social conservatives was the idea of a "protected" or "tutelary" democracy. Given the experience of political polarization that led to the breakdown of democracy in 1973, the military and its civilian advisers supported this idea. It was based on the concept of conservative constitutionalism. This political tradition was born "as a reaction against Rousseaunian constitutionalism and its idea of popular sovereignty, and against liberal constitutionalism of Anglo-American origin." Conservative constitutionalism is based on the idea of a democracy "in which the notion of 'popular sovereignty' is strongly restricted, particularly in the areas that concern the prerogatives of the legislative power and the political parties."[90] It is a politico-legal tradition based on early twentieth-century German legal theorists such as Carl Schmitt, whose criticism of liberal democracy had strong resonance during the waning years of and after the collapse of the Weimar Republic.[91]

Guzmán explained the rationale behind the idea of a "protected democracy" in Chile by arguing that "the first condition for a stable democracy is the existence of a national basic consensus about the essential values of social organization." Given that such a consensus had been eroded in Chile, the new Chilean political institutions would have "to defend a new basic consensus." This would only happen by making sure that "if the adversaries are to govern at some point, they find themselves constrained to follow a course of action not very different from the one that we would wish for."[92] The aim would therefore be to provide special institutional guarantees to avoid the destabilization and potential breakdown of the Chilean regime in the future.

Critics of conservative constitutionalism observed that this doctrine could be summarized as "the enforcement of consensus due to the impossibility of effectively implementing dissenting views beyond certain limits . . . it is consensus by right or might."[93] The "protected democracy" doctrine became one of the pillars of the new political order through the so-called authoritarian enclaves. These constitutional "enclaves" limited the decision-making capacity of democratically elected governments after 1990 and remained at the heart of the "tutelary" character of the new Chilean democracy until the end of 2005, when President Ricardo Lagos secured their final removal. Among the main authoritarian enclaves in the 1980 constitution were the Consejo de Seguridad Nacional, the Tribunal Constitucional, the "designated" senators, and probably most important, the autonomy of the armed forces and independence from civilian control.[94]

The Consejo de Seguridad Nacional (National Security Council) was created to ensure the participation of the Armed Forces in national security policy (Articles 95 and 96).[95] It included both military and civilians. Members with the right to vote included the president of the republic, the presidents of the Senate and of the Supreme Court, the commanders in chief of the Armed Forces, the general director of the Carabineros, and the attorney general—the military and the civilian spheres command 50 percent each of the vote, respectively. Members without the right to vote included the ministers of the interior, foreign affairs, national defense, economy, and treasury. Its national security advising authority was supplemented by the prerogative to voice disagreements with the National Congress and the Tribunal Constitucional on any acts it considered dangerous to the stability of the country's political institutions. It also had the authority to request all available information on national security issues from political and administrative officials. Its composition and its powers allowed it to act as a counterweight and a limit on the president's decision-making capacity with respect to national security.

Created in 1970, the attributions of the Tribunal Constitucional were enhanced (Articles 81, 82, and 83). It consisted of seven members: three Supreme Court justices nominated among themselves, one lawyer designated by the president of the republic, two lawyers elected by the Consejo de Seguridad Nacional, and one lawyer elected by the Senate. The Tribunal Constitucional had wide faculties to resolve constitutional controversies that arose after the promulgation of laws, constitutional reforms, or treaties approved by Congress. This gave it strong veto power. It could decide over the constitutionality of presidential decrees and resolutions and had the authority to resolve issues that regulated plebiscites. Moreover, the 1980 constitution declared that no appeals could proceed against the Tribunal Constitucional.

The "designated" Senators (Articles 45 and 46) were probably one of the 1980 constitution's most controversial institutions. The president of the republic appoints two members: an ex-minister and a university's ex-chancellor. The Supreme Court appoints three more members (two former justices of the Supreme Court and a former attorney general). The remaining four were to be representatives of each of the services from the armed forces (army, navy, air force) and the Carabineros, appointed by the Consejo de Seguridad Nacional. The end result of these nine designated Senators would be to allow the creation of a "minimum winning coalition," which would veto fundamental legislation. This designated minority allowed a minority in the upper chamber to place rigid limits on democratic governments' policymaking and general decision-making capacities. This institution was a blueprint taken from conservative constitutionalism and its

advocacy of watering down of the majority principle as a decision-making mechanism in liberal democracies.

Another controversial authoritarian enclave was the autonomy granted to the armed forces vis-à-vis civilian authorities (Articles 93 and 94). Crucial for the transition to democracy path followed in Chile after 1990 was General Pinochet's ability to incorporate provisions not to retire as commander-in-chief of the armed forces until 1998 and afterwards to be permitted to take a seat for life in the Senate. Moreover, the concern about potential retribution in the future against the Chilean military for human rights violations had led to the promulgation of an Amnesty Law in 1978, two years before the new constitution was promulgated. The Amnesty Law "extended a protective shield over DINA agents and other military officers [who committed human rights violations]. This law established the boundaries between the period in which the military junta considered it waged an 'internal war,' and the period of the regime's institutionalization." Hence, while military autonomy from civilian control became one of the concessions demanded by supporters of the 1980 constitution, critics of it considered that "the Armed Forces' degree of independence from political authority reduced to a minimum the principle of civilian control, prominent in any real democratic system."[96] It also left open the path to military impunity concerning human rights violations, leaving in its wake a truncated historical memory that has kept Chileans divided to this day.[97]

Other rules that helped to shape the transition to democracy and the consolidation of the neoliberal economic order included the rigid procedures to reform the 1980 constitution and, importantly, a transition calendar included in the constitution itself. With respect to the former, the drafters of the 1980 constitution established rigid requirements for the reform of its text. Gatekeeper mechanisms included high quorum (almost two-thirds of legislators in attendance) needed to debate reforms to the constitution. Reforms of the organic constitutional laws, which regulate the attributions and functions of the state, require a four-sevenths quorum in Congress. In addition, the required vote for constitutional reforms to pass was put at three-fifths for most of the articles, and two-thirds for the most important constitutional chapters. Most controversial of all was the requirement of two successive legislatures' approval before reforms to the constitution could become effective (later dropped).[98]

With respect to the transition calendar included in the constitution, this mechanism structured the timing and sequence of the transition to democracy in Chile. It stipulated that the first phase of the transition would last eight years (1980–88). At the end of that period, there would be a plebiscite to ratify or reject

the military in power. If the candidate was ratified, he would rule eight more years, and then free democratic elections would follow in 1996. If he was rejected in the 1988 plebiscite, then elections would be called, but the government would remain in power an extra year, that is, until March 11, 1990.

According to Sergio Fernández, minister of the interior at the time of the drafting of the constitution, such a long period of time was "deemed necessary to carry through the modernization process. Economic recovery had to be consolidated to permit the institutional re-incorporation of the opposition to politics, and to strengthen the eventual democratic regime."[99] At first, the period of transition had been put at sixteen years. Enrique Ortúzar, one of the main participants in the commission, which went over successive constitutional drafts—another prominent participant was former president Jorge Alessandri Rodríguez—opposed the idea. He argued "that a period of sixteen years would be unpresentable to the public . . . the transition had to contain elements of gradualism."[100] The junta acquiesced. Pinochet himself then decided that the period would be "eight years, a ratification plebiscite, and then eight years more." History would prove him wrong.

The key point is that unlike any other transition to democracy in Latin America, the Chilean one, spelled out in the country's constitution, led to the creation of a "restricted" and "tutelary" democracy. This fact structured the transition process in a unique way. The consequences of the approach were mixed. On the one hand, the transition avoided the high uncertainty (both political and economic) usually associated with transitions to democracy.[101] It also provided legal guidelines to both the regime officials and the pro-democracy opposition to engage in a constructive manner. On the other hand, it strengthened the bargaining position of the military regime (and its civilian supporters, such as the economic elite) and allowed its officials to extract high concessions from the opposition. Prominent among these was the long transition process and the acceptance by the opposition of the 1980 constitution as the legitimate institutional base of the new civilian regime. Indeed, it meant the acceptance by the democratic opposition of "tutelary democracy" in and of itself.

The 1980 constitution established basic political institutions and rights that contributed radically to the redefinition of politico-economic relations in Chile. It also shaped Chile's dual transition process. In particular, it was essential in providing a framework through which politico-economic synergies and antagonisms operated throughout the 1980s and the 1990s. On the one hand, the strong rights version derived from socially conservative libertarianism guaranteed the prevalence of property rights over political rights in Chile after the transition to democ-

racy. The "authoritarian enclaves" derived from the idea of "tutelary democracy" have thus far constrained and limited the ability of representative institutions in Chile to respond to the democratic will. On the other hand, the transition calendar included in the constitution structured the process of regime change in a comparatively stable and mutually assuring way. The calendar forced both the outgoing regime forces and the incoming democratic opposition to work together and reach agreements within the framework provided by the constitution. The constitution and its transition calendar thus structured systemic politico-economic change in a stable and more or less predictable way—but at the expense of limiting such change. This mixture of constraints and opportunities yielded a politico-economic compromise and lent relative stability to Chile's dual transition.

In sum, the 1980 constitution accomplished a number of things: it helped to overcome coordination problems (by providing a framework for engagement between the authoritarian incumbents and the opposition); to lengthen political and economic actors' time horizons (an institutionalized government process helped opponents to negotiate the allocation of costs and benefits of the dual transition); to incorporate the opposition into the political process through a clearly stated transition electoral calendar (the long-lived and vibrant Chilean party system was well-poised to take advantage of it even after the 1982 economic collapse); and to minimize collective action problems by creating a powerful presidency (opponents were able to strike credible bargains throughout the dual transition process because the constitutionally empowered executive branch was so cohesive).

Economic Debacle and the Rise of Politico-Economic Antagonisms, 1981–82

Notwithstanding the creation of a new politico-economic order in Chile the key purpose of which was to contain politico-economic antagonisms and foster synergies, the reality did not conform to the blueprint drafted by the military and its civilian advisers. Tensions between the free market/restricted democracy framework sponsored by the authoritarian regime and the instability of the country's economy and politics continued, shaping the incremental adaptation of the free market authoritarian model in Chile.[102] In 1980–81, the controlled politico-economic restructuring carried out by the Chilean military regime showed key flaws. Economic liberalization—particularly financial—led to an unprecedented credit and consumption boom, which exposed the country's financial system and the economy in general. This unexpected consequence highlighted the difference

between the original, "enlightened" intentions of Pinochet's neoliberal and *gremialista* policymakers and outcomes in reality. The international financial exposure of the Chilean banking system was not unique. The high international liquidity created in the aftermath of the 1973–74 and 1979–80 oil shocks prompted the private and public sectors of the major Latin American countries to contract massive external credits. Opposite economic strategies such as the free market experiment in Chile and the state-led oil industrialization experiment in Mexico shared an underlying weakness. They were dependent on external resources and credit to further the development of their respective economic models, while at the same time they did not possess any leverage or control over the evolution of key international factors such as American interest rates and the prices of oil and copper. This key vulnerability worsened the financial position of the major Latin American economies at the beginning of the 1980s. The financial and economic collapse of the major Latin American countries in 1982 sparked massive social and political opposition to the military regime in Chile, while also destroying the blueprint of state-led industrialization implemented in Mexico between 1970 and 1982.

Given the political and economic failures of other military regimes in the Southern Cone, the Chilean case still shone brightly as a successful case of economic liberalization.[103] But the miracle was short-lived. It evaporated in 1982 when Chile plunged into its worst financial and economic crisis since 1930. This economic debacle threatened to unravel the Pinochet power bloc's politico-economic project. Economic crisis sparked a new wave of strong politico-economic antagonisms. The military government's popularity went from zenith to nadir.

Between 1978 and 1981 the Chilean economy had received a boost through the *conglomerados'* foreign borrowing. Annual growth averaged 7 percent between 1977 and 1981. Inflation, which had reached 232.8 percent in 1976 and 113.8 percent in 1977, was brought under control through a tight monetary policy and a fixed exchange rate. By 1980, inflation had come down to 35.1 percent and to 19.7 percent in 1981.[104] However, the strong state/regime/organized economic interests' coalition that had helped to produce such rising politico-economic synergies in Chile during these years also contained the seeds of its unraveling.

This configuration allowed cabinet insulation and a close, unaccountable relationship between Pinochet and the Chicago Boys, headed by Treasury Minister Sergio de Castro.[105] Shut behind closed doors and subjected to the vested interests of the *conglomerados,* the economic cabinet did not implement key economic policy changes when the need arose.[106] For example, the Chilean external debt had been contracted primarily by the private sector. This was in contrast to coun-

tries such as Brazil and Mexico, where the bulk of foreign indebtedness was contracted by the public sector. Following the implementation of financial liberalization by the Chicago Boys, the Chilean *conglomerados* borrowed in international markets as much as possible. Between 1977 and 1982 Chile's foreign debt tripled, climbing from $5.2 to $17.2 billion. (All currency amounts are in U.S. dollars unless otherwise noted.) Close to 90 percent of this increase corresponded to private sector indebtedness.[107] Several economists had criticized De Castro's decision to fix the exchange rate in 1979. True, it had helped to bring inflation under control, but overvaluation of the Chilean currency had in turn increasingly damaged Chile's trade balance and had also made indebtedness in cheap foreign currency attractive.[108] However, De Castro, backed by Pinochet, refused to consider devaluing even after the international economic scene suffered a dramatic change in mid-1981.

To counter the stagflation (the simultaneous rise of unemployment and inflation) that had plagued its economy and those of the industrialized nations during the 1970s, the United States, followed by European countries, raised interest rates in mid-1981. International rates such as prime and LIBOR more than tripled—from 4 percent to 13 percent—in less than a year. This decision produced a global recession whose purpose was to bring inflation under control in the industrialized Western countries. The most vulnerable economies in this new international scenario were those of the heavily indebted countries that had benefited from the petrodollars' international credit boom of the 1970s. Foremost among them were many Latin American countries, including Argentina, Brazil, Chile, and Mexico.[109]

Toward the end of 1981, faced with rapidly increasing interest rates, the leading Chilean *conglomerados* became compromised. Their debts represented 46 percent of the assets of all Chile's banks and *financieras*. Eight financial institutions required intervention by the military government before the beginning of 1982. With five *conglomerados* facing bankruptcy, the state decided to assume the role of lender of last resort. Moral hazard ensued: this measure sent signals to the financial system that the state would assume any further losses, shrinking the risk for reckless maneuvers down to nothing. Financial institutions thus lost no time and continued to engage in last-minute borrowing. By the time Pinochet finally sacked De Castro in April 1982, it was already too late. The financial insolvency of some of the largest *conglomerados* sparked runs against the local currency. Faced with rapidly diminishing foreign reserves, a new economic team finally devalued the peso on June 16, 1982. The currency lost almost 100 percent of its nominal

value in less than two months. The Central Bank bailed out the private Chilean banks that faced insolvency by purchasing their bad debts.[110]

At this point, Chile's internal economic problems became greatly magnified by a worsening Latin American economic environment. Confronted with a sudden collapse in world oil prices and skyrocketing international interest rates, the Mexican government under López Portillo declared a unilateral suspension of Mexico's debt payments on August 18, 1982.[111] International financial institutions (IMF, World Bank) and private banks responded by immediately suspending any further loans to heavily indebted Latin American countries. This event produced a brutal external shock that led to the financial collapse of most Latin American economies, including that of Chile.

Among the short-term consequences of this collapse was that Pinochet's ostensibly neoliberal state paradoxically had to take possession of approximately 80 percent of the formerly private financial system. The foreign debt was thus nationalized, and taxpayers' money covered the losses. The great paradox for Chile in 1982 was that the military regime ended up reestablishing a monopoly over the economic and the political spheres that Allende and his ilk could only have dreamt about. The high-water mark of the Chilean institutionalized authoritarian regime's control of the economic and political spheres was thus reached in 1982.

Chile also plunged into its deepest economic recession since 1930. GDP contracted 15.7 percent in 1982; unemployment reached 28 percent.[112] At this point, the neoliberal experiment under the military seemed to have failed dramatically. The economic crisis triggered strong politico-economic antagonisms between a closed and unaccountable regime along with the widespread perception of economic mismanagement and government incompetence. For the first time since the 1973 coup, Chilean society mobilized and protested against Pinochet and the military regime.

Strong politico-economic antagonisms, which for so long seemed to have abated, returned with a vengeance as a consequence of the 1982 economic collapse. Those responsible for the formulation and implementation of free market reforms and for the drafting of the 1980 constitution had thought that their politico-economic blueprint would suppress the rise of politico-economic antagonisms, such as the ones that had culminated in the 1973 coup. This false optimism was exposed after the 1982 economic collapse. Pinochet and the top military leadership responded to the rise of social unrest and political opposition through the imposition of rule by the state of emergency. So in a way, the perception was that the Chilean political economy had come full circle between 1973 and

1982: it started and finished with economic and political chaos, which had been quelled by military rule through the state of emergency.

However, politico-economic conditions in Chile were very different in 1973 and in 1982. To start with, the power bloc around Pinochet and the military regime refused to give in, and it defended the free market economy and the polity created through the 1980 constitution. With these ideological as well as political and economic resources, the power bloc engaged the political opposition, which gathered momentum after the 1982 debacle and became better organized and institutionalized through the revival of the traditionally strong Chilean political parties.

Conclusion

Starting from a position of political and economic crisis in 1973–75, the Chilean military junta consolidated its grip on power through the suppression and destruction of political opposition and the neoliberal restructuring of the economy. In particular, once it was able to exercise complete dominance, Pinochet's power bloc projected its national project, which was based on socially conservative constitutionalism and neoliberal economics. The key thing that the Chilean military regime did during this early period was to institutionalize its rule through the 1980 constitution. It was this institutionalization rather than authoritarian rule per se that gave the military regime the capacity to structure and manage the politico-economic antagonisms sparked in the aftermath of the 1982 economic collapse. This observation does not underestimate the role played by force and coercion in helping the military to prevail. However, force alone would have not been sufficient to engage the opposition in a manner that the 1980 constitution did. The constitution became the focal point of political engagement once the question of a transition to democracy became a real possibility in the second half of the 1980s.

The hubris of authoritarian overconfidence in the second half of the 1970s was exposed in both Chile and Mexico. Both regimes built a politico-economic blueprint—based on free markets/restricted democracy and on state-led industrialization/hegemonic party rule, respectively—which, they thought, would help their political economies to develop politico-economic synergies between dynamic economic growth and political control from above. After the 1982 economic collapse, which sparked social unrest and vigorous political opposition, it became clear that politico-economic conflicts in both countries could only be

managed, not transcended or suppressed outright. From this perspective, it was the 1982 debacle, accompanied by the rise of social unrest and of organized political opposition, that forced the politico-economic trajectories of the two countries to converge. But first I examine Mexico's divergent pre-1982 politico-economic trajectory.

Mexico, 1970–1982

The End of the Economic Miracle, the Rise and Fall of Neopopulism, and the Weakening of PRI Hegemony

Mexico's political and economic conundrum in the late 1960s and in the 1970s was the very opposite of the dilemma that Aníbal Pinto identified in Chile during the same period. During those years, Chile had a modern, plural democratic system coupled with an overloaded, inflation-prone economy. In contrast, by 1970 Mexico had experienced twenty-five years of vibrant, noninflationary economic growth and social modernization through state-led import-substitution industrialization (ISI) coupled with a rigid, noncompetitive political regime based on hegemonic party rule and the corporatization of society.[1] Historians Héctor Aguilar Camín and Lorenzo Meyer highlighted the dissociation between socioeconomic and political change in those years as the key to the country's subsequent cyclical politico-economic crises and the gradual erosion of PRI hegemony.[2]

In this chapter I argue that the dissociation between economic and political development in Mexico fueled increasing politico-economic antagonisms that culminated in successive end-of-*sexenio* politico-economic crises in 1976 and 1982. Between 1970 and the year 2000 Mexico experienced cyclical politico-economic instability, crises, and reforms aimed at tackling the crises. The tensions between these crises and the reforms shaped the country's long and tortuous dual transitions between 1970 and the year 2000.

Between 1970 and 1982, Mexico and Chile's politico-economic trajectories grew even more dissimilar than they started out. In fact, given the Latin American context, Mexico and Chile's trajectories were almost opposite. During these years, the Mexican authoritarian regime—under the presidencies of Luis Echeverría (1970–76) and José López Portillo (1976–82)—responded to rising political and

economic conflict through "neopopulism." The rise of populism in Mexico was associated with the strategy of President Lázaro Cárdenas (1934–40) to coopt workers, peasants, and the military through corporatist representation in the hegemonic Partido de la Revolución Mexicana (PRM), as the Partido Revolucionario Institucional (PRI) was then known.[3] Neopopulism was the Echeverría and López Portillo governments' strategy to coopt and accommodate politically through the expansion of the state the high expectations and demands of a rapidly growing and modernizing society.[4] In contrast, Chile resembled neighboring countries such as Argentina and Uruguay, where escalating politico-economic conflict between the Marxist left and the conservative right led to military coups. Military intervention in the Southern Cone led to the ousting of democracy and the creation of bureaucratic-authoritarian regimes, which tried to restructure their respective economies along free market–oriented lines.[5]

The politico-economic dissimilarities between the two countries increased after 1973. In Mexico an ageing PRI regime tried to bolster and regain popular support through state economic expansion and the preservation of hegemonic party rule. In Chile a military junta and its civilian supporters crafted and imposed the very opposite, that is, a free market economic order—the first in Latin America—coupled with a new constitution seven years later that enshrined strong individual rights and a restricted or tutelary democracy. It was only the 1982 economic collapse in both Mexico and Chile that forced their politico-economic trajectories slowly to converge once the crisis forced both authoritarian regimes to enact crisis management, which affected the economic as well as the political spheres.

The End of the Mexican Miracle, 1968

In 1970 Mexico had an enviable record of economic growth and political stability in Latin America. Between 1956 and 1972, the country's GDP grew at an annual rate of 6.7 percent, inflation at 3.1 percent, and the annual public deficit remained below 2.5 percent of GDP. Mexican governments' strategy of orthodox macroeconomic management and inward-looking industrialization came to be known as *desarrollo estabilizador,* by which was meant the combination of high rates of economic growth with price stability.[6] In only three decades, fast industrialization, urbanization, and the expansion of education and health had modernized Mexican society.[7] This was referred to as the "Mexican miracle." However, economic and social modernization coexisted with a 1930s corporatist political system, growing socioeconomic inequality, and big territorial pockets of margin-

alized, extreme poverty.[8] The state corporatist system operated through the hegemonic PRI, granting a monopoly of voice and representation to the coopted leaders of organized workers, peasants, and members of the middle class. This arrangement yielded political stability, relative inclusion, and strong political control, all of which made the PRI regime the envy of other Latin American countries between 1940 and the late 1960s. The hegemonic regime furthered its politico-economic project of *nacionalismo revolucionario*.[9] Revolutionary nationalism was characterized by: (1) a deep-seated distrust of the United States, (2) a belief in nationalization as an instrument to regulate property ownership (the *ejido* system, state control of oil, controls on foreign investment), (3) a strong, interventionist state, whose revolutionary roots and broad popular support legitimized its great power, and (4) the invocation of a strong national identity.[10] The regime's revolutionary elite voiced and pledged to further the causes of the popular majorities in Mexico. But the political elite also felt uncomfortable with political participation outside the hegemonic PRI. The party would go on to rule Mexico uninterruptedly for seventy-one years (1929–2000). Time and again, when dissidence and opposition arose, the revolutionary regime confronted it through cooptation and, when this failed, force and coercion.[11]

In 1958 the government brutally repressed and incarcerated the leaders of the national railway union, and in 1964 it forcefully confronted a strike by medical doctors in the public sector. By the end of the decade, the political arena was scattered with dissident student, worker, and peasant organizations who felt that the PRI regime had increasingly put legal and extra-legal limits to the Mexican Revolution's ideals of democracy, social justice, and equality.[12] The climax of regime-sponsored repression occurred on October 2, 1968, just days before the inauguration of the Olympic games, when the eyes of the world were set on the Mexican capital, the host city. That day, the military and the police opened fire on a massive rally of more than five thousand university students in Tlatelolco, near downtown Mexico City, who were protesting against the government of President Gustavo Díaz Ordaz (1964–70). The result was a bloodbath in which several hundred people were killed. As Scherer and Monsiváis have described it, "From that day on Mexico was a different country. Different because channels of freedom were closed; different because an asphyxiating political system lived on; different because society was wounded, thrashed, with the assassination of its youth; different because we could not learn the truth amidst declarations about the preservation of the institutions."[13] In his penultimate address to the nation in 1969, Díaz Ordaz declared that he "assumed all responsibility for it (the 1968

massacre)."[14] He also chose as his presidential successor his *Secretario de Gobernación,* Luis Echeverría, who was second in command in 1968. Echeverría, like his boss, was nationalist, anti-Communist, and bellicose, rejecting democratic reforms out of hand.[15] The authoritarian inflexibility of Díaz Ordaz and his successor reflected their own awareness that the "Mexican miracle" contained the seeds of its own potential undoing. Fast economic and social modernization was overflowing the political order nested in the PRI. The means available to that order "were insufficient to contain the aspirations and expectations created by modernization. [In reality] Mexican modernization was barbarous and excluded from its benefits an enormous proportion of the population."[16]

When he assumed the presidency in 1970, Echeverría was aware of the great social demands and the increasing independent mobilization of potentially influential sectors of Mexican society. He thought that the radical left's politics and utopian reformism had to be diffused and quelled by the PRI regime's own nationalist revival through a more inclusive, redistributive, and collectivist agenda.[17] The public policy translation of this strategy to contain politico-economic conflict was neopopulism. Echeverría did not know it, but this response would trigger thirty tortuous years of dual transition to a free market–oriented economic order and electoral democracy.

Echeverría's Presidency, 1970–76: Containing Political Conflict through Neopopulism

The challenge from political dissidence was not a rhetorical exaggeration or a simple justification for the economic expansion of the Mexican state in 1970. As Mexican society grew rapidly and diversified in the 1960s, opportunities for political participation narrowed. The PRI remained a 1930s corporatist apparatus of political control that could not accommodate the relatively affluent social sectors that were emerging. The party's channels for participation narrowed, and in particular they closed the opportunities of the upwardly mobile, urban, university-educated younger generation, which had nurtured the growth of the left. Political activists were radicalized during the 1960s, and after the 1968 bloodbath, many decided to embrace direct action in the cities and in the countryside.[18]

Militant students, workers, and peasants started urban and rural guerrillas, which gathered momentum in the early 1970s. For example, the Fuerzas Revolucionarias Autónomas del Pueblo (FRAP) kidnapped the American Consul in Guadalajara in May 1973, and he was only released after the government satisfied

some of the guerrilla fighters' demands. In 1975, the Liga 23 de Septiembre, another urban guerrilla group, kidnapped and assassinated Eugenio Garza Sada, the most powerful leader of the Mexican capitalist class, who was based in the northern city of Monterrey. In the southern state of Guerrero, a popular peasant guerrilla group operated under Genaro Vásquez and, later, under Lucio Cabañas.

Echeverría did not hesitate to repress and destroy the more radical challenges to the PRI's political order. Vásquez and Cabañas were hunted down and executed by Mexican army soldiers. Hundreds of dissidents were kidnapped and "disappeared." Declassified documents of the U.S. State Department have shown that Echeverría's handling of political insurgency between 1973 and 1976 amounted to a "dirty war" in which more than eight hundred people disappeared. According to the documents, in December 1973 Echeverría's government adopted the illegal practice of killing guerrilla fighters even when they were detained in prisons or hospitals. The documents show that the Mexican Secret Service "has been authorized by the government to omit the due legal process in the fight against the terrorists."[19]

The "dirty war" in Mexico was the result of an explicit agreement between Presidents Richard Nixon and Luis Echeverría. According to a telegram sent by the U.S. Ambassador in Mexico in 1971, Robert McBride, to the State Department, Echeverría's government would deal with the Communist threat to America from the South. The *New York Times* would later report that the FBI "executed extensive operations in Mexico to eradicate the local communist groups which could filter through the Mexican-American border."[20] Not only did Nixon's government follow closely the Mexican "dirty war," it was also involved in training an elite anti-terrorist group, the *Halcones*.[21] This group was used not only to quell guerrilla threats but also to repress demands by other groups in Mexican society.

On Corpus Christi, June 10, 1971, the *Halcones* attacked a peaceful student demonstration, killing eleven and injuring more than two hundred. There were also suspicions about the right-wing paramilitary groups that appeared in the early 1970s in Mexico. It was thought that they had received support from the CIA, like other similar groups throughout Latin America. This evidence shows that Mexico, like Chile and the rest of Latin America, was immersed in the Cold War during this period, and that the U.S. government under Nixon and later Ford intervened diplomatically and directly to help in their anti-communist crusade. Mexico and Chile's government responses and alignments to this influenced the way politico-economic conflict evolved in each of them.

Expanding the State to Contain Politico-Economic Antagonisms from Below

The key difference between Mexico and the bureaucratic authoritarian military regimes in South America during those years—including Pinochet's Chile after 1973—was that the PRI regime, headed by civilians and strongly institutionalized around the figure of the president of the republic, preferred cooptation to coercion. The Mexican political system was articulated around a complex set of norms, rituals, and unwritten rules at whose apex was the federal executive.[22] Mexican *presidencialismo* made the head of the federal executive the ultimate dispenser of political mobility, economic opportunities, and social justice in the country.[23] The president and the revolutionary elite that surrounded him did not conceive of the system as authoritarian but rather as a disciplined political order that would gradually "do justice" to all groups in Mexican society. As we have seen, various presidents did not hesitate to use the state's means of coercion if the need arose, but incorporation through PRI-dispensed patronage and clientelism were always preferred. Nevertheless, in the 1970s even the PRI machine succumbed to dissent and activism.

The party's corporatist straightjacket inflamed independent-minded workers and peasants. Disaffected peasants defied the official Confederación Nacional Campesina (CNC)—one of the three corporatist pillars of the party—and in 1974 created the Confederación Independiente de Obreros Agrícolas y Campesinos (CIOAC). This organization worked closely with the Mexican Communist Party (PCM). Invasions of private property by landless peasants increased dramatically during the early 1970s. Peasant movements throughout the country demanded better opportunities and more land.[24] It was under this pressure that Echeverría tried to divide and coopt peasants by redistributing more lands through the *ejido,* the basic form of communal land tenure in Mexico spelt out in article 27 of the 1917 constitution.[25] The new impetus of agrarian reform became one of the key reasons that the private sector eventually fell out with Echeverría.

Another challenge to Echeverría inside the PRI came from organized workers. Independent-minded workers defied the Confederación de Trabajadores de México (CTM), another corporatist pillar of the party. In 1972 they created the Unión Obrera Independiente (UOI), which included some of the highest-earning Mexican laborers such as those in the automobile and the air transport industries. Other workers preferred working "inside the system" and created the *tendencia democrática* inside PRI-affiliated unions. The electricity industry workers were at

the vanguard of this arrangement with their combative union, the SUTERM. An explosion of industrial action accompanied labor activism.[26] In 1973–74, there were more than two thousand strikes, three times more than in any previous year. Eventually the government tamed labor activism through cooptation and, when this failed, through force. For example, Echeverría used the army to break a general strike in July 1976 brought on by the *tendencia democrática*.

Confronted with the rise of such strong politico-economic antagonisms, Echeverría responded through the expansion of the state. Neopopulism would, according to this strategy, reestablish the country's dynamic politico-economic synergies that appeared to have been lost after 1968. During his first year in office, Echeverría stuck to orthodox macroeconomic management, and in 1971 the economy suffered a downturn—so-called *atonía*. It was between 1972 and 1974 that his government overstimulated the economy and expanded the state aggressively. Echeverría decided to coopt progressive university-educated middle sectors through public employment. With them on board, he claimed in his inaugural speech, "more than a government program, we will implement a program of the people and for the people."[27] The government would sponsor the *desarrollo compartido,* or "shared development" of the nation. Whereas the basic objective of the *desarrollo estabilizador* had been economic growth and low inflation, the basic objective of the *desarrollo compartido* would be redistribution and economic strengthening of the public sector.[28] The new development strategy was implemented through the creation of dozens of federal agencies such as INFONAVIT and CONACYT, staffed by progressive professionals and intellectuals. In 1970 there were more than six hundred thousand federal bureaucrats in Mexico. Echeverría more than tripled the federal bureaucracy's size; when he left office in 1976, there were more than two million.[29] Likewise, he coopted other social groups by extending state control over their spheres of activity. A big proportion of the country's industrial workers became public employees, as the number of nationalized businesses and organizations skyrocketed from 84 in 1970 to 845 in 1976.[30] Likewise, one had to go back as far as the presidency of Lázaro Cárdenas to find an analog to the statization of rural activity.[31] The public sector deficit rose from 2.5 percent of GDP in 1971 to 9.3 percent in 1975. Over half the increase in public employment occurred in the public education system, and the second-largest absorbers of public expenditure were the health and the social security systems.[32]

Echeverría's strategy tried to displace political conflict through state expenditure and expansion of state ownership. From the perspective used in this volume, it can be argued that his government's strategy was to further politico-economic synergies between dynamic, state-led economic growth and political order and

inclusion through the strengthening of hegemonic PRI rule. This strategy effectively mitigated politico-economic antagonisms in the relationship between the state and the popular sectors of Mexican society, but at the same time it sparked the rise of new, dangerous antagonisms between the state and powerful sectors of the Mexican private business elite.

There were similarities between the confrontation of the state and capital in Mexico and Chile in the early 1970s. However, the differences outweigh the similarities: Allende was a Marxist while Echeverría was a populist. The former wanted Chile to become a socialist regime, while the latter wanted to breathe new life into the PRI regime through social inclusion and participation brought about by economic populism. The conflict between the state and capital in both countries was also different. In Chile the rise of neoliberalism was a reaction to Marxism. Both camps wanted to transform the Chilean politico-economic order from its roots. The conflict became radicalized because it was propelled by utopian politics on both sides.[33] In Mexico neither the political leaders nor the private business leaders wanted to transform the politico-economic order. Rather, they wanted to alter the balance of power within the existing structure that, after all, had yielded political stability and economic dynamism for the previous three decades. Finally, in the face of increasing state-capital conflict in both countries, the loyalty of the Mexican armed forces to the PRI regime remained unquestionable, while the Chilean military under General Pinochet did not hesitate to intervene and topple President Allende.

Politico-Economic Antagonisms between the State and Capital

The state and the entrepreneurial class in Mexico had become strongly interdependent since the regime's adoption of the ISI model of capitalist development around 1940.[34] Businessmen were used to preferential treatment and active state support in the promotion of their economic activities. There was an implicit agreement between the public and the private sectors. Businessmen focused on economic activities, but they did not meddle in politics. Equally, the Mexican regime managed the political sphere and tried not to compete or meddle in private business. This implicit agreement was broken when Echeverría invoked the *desarrollo compartido*. Business leaders became concerned about the means that the government would use to finance a strong redistributive social policy.[35] In particular they became increasingly worried about the government's fiscal and labor policies as well as the growth of state intervention in the economy.[36]

The public and the private sectors did not clash openly until 1972. Toward the

end of that year, the government tried to pass a progressive fiscal reform that would finance the administration's bold plans for state expansion. The rise of state ownership and expenditure required a rise in public revenue. Increasingly assertive fractions of the business elite, particularly the Monterrey industrialists, opposed the reform and threatened the president with sharp reductions in private investment and with capital flight. In effect, Echeverría, faced with what amounted to a potential tax veto, was forced to drop the bill.[37] The government then switched its finance-raising strategy to foreign borrowing and combined it with an expansionary monetary policy. External borrowing went from 2 percent of GDP in 1971 to 10 percent in 1975, and the public external debt increased from $3.2 to $16 billion between 1970 and 1976.[38] The country simultaneously experienced state expansionism in the economy and rising inflation. Average annual inflation between 1973 and 1976 was 16.7 percent.[39]

Vetoed by the business elite, Echeverría struck back. His rhetoric became more radical and exalted. His discourse included the fight for social justice, struggles in favor of third-world countries, anti-imperialism, and the need to forge a strong nationalist state. On top of all this, his government kept recruiting progressive dissidents from the 1968 student movement. The Mexican and foreign business communities and the American government were not amused.[40]

In the international sphere in May 1974, the Group of 77 called for a special meeting of the UN's General Assembly. It adopted the Declaration and Program of Action on the Establishment of a New International Economic Order (NIEO). This declaration was meant to empower third-world countries by calling for higher relative prices for raw material exports vis-à-vis developed countries' manufacturing exports and greater access to international capital. President Echeverría became a strong adherent to the NIEO and promoted *tercermundismo,* which called for solidarity among non-aligned developing countries, as Mexico's foreign policy.[41] His most significant achievement on this front was to persuade the UN General Assembly to adopt the "Charter of the Economic Rights and Duties of States." This charter drew on ideas "from the Mexican 1917 constitution asserting the primacy of state power as the origin of property rights, with the implication that Third World governments should have more internationally recognized authority to regulate private property in the collective interest."[42]

Echeverría's foreign policy angered the American government, American business, and Mexican big business. *Tercermundismo* was perceived as too left-wing for the Nixon and Ford governments. The so-called third way or independent foreign policy was also seen as dangerous for the champions of liberal democracy in the Cold War.[43] It was also a foreign policy that was in favor of

regulation of international markets, international economic planning and cooperation, and political intervention through bodies such as UNCTAD in the operation of the world economy. In effect, it was the very opposite of the neoliberalism that spread across the world in the 1980s and 1990s.

Back in Mexico at the end of 1972, relations between the government and the business elite became strained after the passing of a direct foreign investment and technology transfer law. This law placed a 49 percent limit on foreign ownership of Mexican assets. U.S. Ambassador Robert McBride openly criticized the policy. The internationally oriented Mexican private sector, which had strong links with American capital, also joined in.

The year 1973 saw the estrangement between the Mexican state and capital deepen.[44] When the Chilean military toppled Salvador Allende, popular rallies and protests were organized in Mexico City. Echeverría paid tribute to his deceased friend Allende and supported the protests. The Mexican business elite became vocal and blamed Echeverría and his populism for creating a climate of class warfare and inciting radical economic change. This time the president did not back down, organizing massive nationalist rallies of official workers' and peasants' organizations, which rallied around him and the "Mexican Revolution." The powerful Monterrey business elite backed down and declared that confidence in the government had been reestablished. But between 1974 and 1976, private investment contracted and capital flight increased. Estimates of the capital outflow vary from three to seven billion dollars.[45] The government considered this unpatriotic. The conflict between the state and capital had become bitter.

Business interests had strong allies in Echeverría's government. The *Secretario de Hacienda* (Secretaría de Hacienda y Crédito Público, or SHCP), Hugo Margáin, was in favor of orthodox macroeconomic management and fiscal austerity. In contrast, the *Secretario de Patrimonio* (Secretaría del Patrimonio Nacional, or Sepanal), Horacio Flores de la Peña, favored increasing industrial nationalization, land redistribution, and state expansionism. As the conflict with the business elite increased in 1973, Echeverría asked for Margáin's resignation and supported Flores's project of state expansion, nationalization, and redistribution. The Mexican economy "became presidential." This meant that President Echeverría pursued his stated goal: "From now on [May 1973] the economy will be organized from Los Pinos," the presidential residence.[46] The Mexican and foreign business communities and the American government were aghast. By then, however, Echeverría was in full throttle against the spoilt Mexican business class. He declared in 1975 that Mexico "grew during the last thirty years through a development model that favored the entrepreneurial groups and industrialists. In my

sexenio we changed this development model and substituted it with one that responds to the needs and aspirations of the country's majority, the popular sectors."[47] At the same time, Mexican businessmen established lobbies in the U.S. Senate to get it to declare itself "against the Mexican government's dangerous inclination toward Marxism and communism."[48]

The year 1975 was particularly relevant, because the PRI—in reality, President Echeverría—would have to choose a candidate for next year's presidential elections. It was also the year that the American economy's post–oil shock recession hit the rest of the world. It was the year the military junta in Chile started the implementation of orthodox adjustment and neoliberal restructuring to confront an external shock. Mexico's economy went also into a sharp decline. The IMF estimated that the international recession of 1973–75 explained one-third of Mexico's high current account deficit between 1973 and 1976 (equivalent to an annual average of 4.1 percent of GDP). The remaining two-thirds was attributed to the overvalued Mexican currency, the peso.[49] Given the precariousness of the politico-economic situation in 1975, top members of the Mexican business elite decided to unify their power to have their say. For this end they created the Consejo Coordinador Empresarial (CCE). This group became the peak umbrella organization of Mexican big business. It included six national organizations: employers (Coparmex), industrialists (Concamin), traders and merchants (Concanaco), bankers (ABM), private insurance (AMS), and big business (CMHN). The small and medium industrialists (Canacintra), in favor of state protectionism and intervention, opposed the CCE and so did not join.

The CCE's founding documents offered a criticism of Echeverría and of neopopulism that coincided with the rise of neoliberal policies and the "New Right" rhetoric both in Latin American countries like Chile, Argentina, and Uruguay and in advanced industrial democracies such as the United States and the United Kingdom. It saw Echeverría's populist discourse as a violation of the principles of economic freedom and free enterprise. The aim of the CCE was, in the words of one of its founding members, to show that "private enterprise will not accept any longer its subordinate role to the national political regime."[50] In effect, this argument equated the exercise of democracy with the freedom of private activity. Such pronouncements defied the implicit arrangement of private business sticking to the economic sphere and the government sticking to the political sphere.

President Echeverría considered the new politico-economic discourse expressed by Mexican big business to be a reactionary ideology. Its key principles were individualism and private property, "the central claims of bourgeois ideology."[51] The president kept defending revolutionary nationalism over American-

style capitalism. But his rhetorical defense did not translate into the weakening of the CCE and other supporters of economic liberalism. On the contrary, the CCE was quite successful in its objectives: to present a unified front against the "excess" of Echeverría's government and to enhance the private sector's pressure on the government. As the politico-economic pendulum had swung to the populist left with Echeverría, the Mexican business elite counterbalanced it with the revival of the idea that freedom—of organization, of movement, of trade—was a prerequisite of real democracy. Key differences between the use of the concept of "economic liberalism" by private business interests in Mexico and Chile during these years outweigh the similarities. Neoliberalism was a radical politico-economic project in Chile that included the creation of a new state through a new constitution. The project was meant as a tabula rasa that would transform Chilean society by the introduction of a free market order in the economic sphere and a restricted democracy in the political sphere. In contrast, in Mexico the assertive members of the Mexican business elite confronted the rise of Echeverría's neopopulism through the invocation of the principles of classic liberalism: freedom of private activity and secure property rights. Theirs was not a radical neoliberal stance. They wanted to restore the balance of power between the state and capital without transforming the politico-economic order.

It is not known how explicit the influence of the CCE was in the presidential succession of 1976. When José López Portillo's candidacy was announced in September 1975, he was immediately seen as Echeverría's personal candidate.[52] Echeverría and his close political circle made the decision without previously consulting the PRI's sectors. López Portillo's *destape* "severed the process of institutionalization of [the presidential] succession, having taken place midway through the PRI's *Consejo Nacional* meeting."[53] (*Destape,* literally "unveiling," refers to the Mexican president's unwritten power to choose his successor from among his closest collaborators.) In any case, the domestic and international business communities received López Portillo's candidacy positively. The CCE supported him. As *Secretario de Hacienda,* López Portillo had implemented financial decrees and a fiscal policy favorable to the interests of the finance business sector.[54]

Agitated by the precariousness of the politico-economic situation in Mexico, in 1975 the country's business elite was looking for more re-assurance. They continued opposing Echeverría throughout 1976, his last year in office. Through the CCE, the assertive sectors of the Mexican business elite railed against "Echeverrismo," which to them meant uncontrollable populism and the statization of Mexican society. When, toward the end of his presidency, Echeverría considered

decreeing land redistribution in the states of Sinaloa and Sonora, the private sector quickly voiced its opposition. They had considered the government's commitment to land redistribution since 1971 "an attack on free enterprise and a deviation toward communism."[55]

But Echeverría did not back down. He decreed the expropriation of one hundred thousand hectares in the valleys of the Yaqui and Mayo rivers, situated in the heartland of the richest and most productive agricultural region of the country. This was one of Echeverría's last acts as president. It sealed the fracture of the power bloc as the government and the business elites underwent an unprecedented "confidence crisis," something not seen since the government of Lázaro Cárdenas.[56] The CCE called a general strike to protest the land reform decree, but it had only isolated effects. The symbolic effect nonetheless remained: the Mexican capitalist class had openly defied the PRI regime. They called the land reform decree "last minute populism." Echeverría then went on to call the industry captains of Monterrey "profoundly reactionary and enemies of the people."[57]

But there was more to come. In 1976, the Mexican economy's performance worsened significantly. Devaluation appeared inevitable as the Mexican price level moved further out of line with that of the U.S. economy, and the high Mexican current account deficit became unsustainable. The exhaustion of foreign borrowing capacity weakened the Mexican government's position.[58] By August 1976, rumors started circulating around Mexico about the potential nationalization of property and freezing of bank accounts. Capital flight increased massively, and the Bank of Mexico's directors decided to stop its intervention in the money markets and to allow the free flotation of the peso on August 31, 1976, a day before President Echeverría's last address to the nation. The country suffered its first macro-devaluation since 1954. The peso plummeted more than 100 percent against the dollar between the end of August and November 30, President Echeverría's last day in office. The era of stable prices in Mexico was over.[59]

Echeverría's *sexenio* finished with the Mexican government's urgent request for economic assistance from the IMF. The government signed a stabilization and adjustment agreement, receiving 1.2 billion dollars in financial assistance in exchange for economic stabilization and austerity (drastic cuts in public spending, including social policy and public investment) for the next three years. The Mexican government creditors also demanded the presence of IMF officials in Mexico as a guarantee in order to continue doing business in the country.[60] The president's revival of revolutionary nationalism through neopopulism led Mexico to the 1976 economic crisis, which, paradoxically, increased the country's external financial dependence. In particular, it strengthened the position of international

financial institutions based in Washington, D.C., and of vocal sectors of the Mexican business elite.

Through the CCE, the business elite's relative autonomy vis-à-vis the Mexican regime increased. In the last instance, neopopulism helped to coopt and diffuse part of the social activism and political radicalism of the early 1970s. But it also inaugurated two decades of cyclical politico-economic crises, all of which coincided with the end of *sexenio* years—1976, 1982, 1987–88, and 1994. These crises weakened the Mexican PRI regime and contributed to the shaping of the country's dual transitions in favor of freer markets and electoral democracy. The contrast between Chile and Mexico at this point was at its greatest. In Mexico, the interdependent PRI regime and capitalist elite fell out, while in Chile, the military regime forged a strong power bloc with internationally oriented Chilean business groups and starting in 1975 together pursued the construction of a neoliberal economic order.

Sacrificing the Economy to Regain Political Hegemony

Political and economic conflict in Mexico reinforced each other between 1970 and 1976. Such antagonisms weakened the Mexican economy and the revolutionary regime. Echeverría's strategy had been to create a dynamic Mexican capitalism and a more inclusive and expanded state. His ultimate objective was to strengthen the political regime that he presided over. When he confronted unexpectedly weak economic growth, he did not balk; instead he moved ahead with the aggressive expansion of the Mexican state over the economic and social spheres. Having inherited a legitimacy crisis and political radicalization after the 1968 student massacre, the president "tried to bring about political stability even if that meant economic slowdown."[61] In terms of the dual transitions, Echeverría's government —as well as Allende's in Chile—put forward the most redistributionist economic policies in the country in the period under discussion.

However, the somewhat similar economic policies in the two countries were operating in very different political systems. In the political sphere, the Echeverría and Allende governments were quite different. Chile's regime was a democracy under a competitive and lively multiparty system. The Mexican PRI regime presided over noncompetitive authoritarian rule. Echeverría's top political objective was garnering support and renewing credibility. Contentious sectors of Mexican society wanted new channels of organization and participation. Participation in other political parties was an issue for the small politicized elites of the left (PCM) and right (PAN). The hegemonic party system under the PRI did not allow politi-

cal competition. Echeverría could have responded to the challenge by trying to democratize the PRI, but he did not. Instead, the president tried to strengthen the regime by expanding the state through the creation of federal agencies that were staffed by the active dissidents from 1968. He also supported a mild electoral reform to try to enhance the political representation of the PRI through contrasts with the minuscule representation in Congress of opposition parties.

The so-called *apertura democrática* consisted of an electoral reform in 1973, which expanded the system of party deputies—introduced in 1963—from twenty to twenty-five and lowered the federal representation threshold from 2.5 percent to 1.5 percent of the total national vote. If that sounds technical and ineffectual, it is. The measures were obviously insufficient to create a more level playing field for competitive participation.[62] Echeverría did not engage seriously in political democratization because he did not believe in liberal democracy. He remained a nationalist populist for whom the revolutionary regime's noncompetitive character helped to promote gradually the interests of the whole nation.[63]

From the perspective of the dual transitions, it can be concluded that Echeverría's government aimed to strengthen the PRI regime by using neopopulism in the face of a legitimacy crisis and the radicalization of politics. The Mexican PRI regime was one of the most institutionalized political regimes in any Latin American country. But the strength of that high institutionalization was dependent on performance legitimacy, the enactment of gradual social reforms, and gradual social and economic inclusion. The conundrum for the PRI's brand of "revolutionary" nationalism lay in the economic constraints imposed by the fiscally weak Mexican state on the political ambitions to strengthen and retain hegemonic rule.

Assertive fractions of the Mexican business elite opposed the pretensions of the "revolutionary" regime to extend its hegemony into the economic sphere. After 1973, the business elite reacted through "investment strikes" and capital flight. The strength and power of private capital increased as the fiscal power of the state weakened. Despite operating in different political regimes, the business elites in Mexico and Chile were unsurprisingly opposed to the socialization and nationalization of their economies. In Chile the military struck in 1973 and destroyed democracy in the name of the "War against Communism." In Mexico the economy had suffered a dramatic devaluation and was in the midst of its worst economic crisis since 1938–40 when Echeverría stepped down. While in Chile the military and its civilian staff engaged in the construction of a new, strongly institutionalized politico-economic order based on free markets and a "tutelary democracy" constitution, the incoming government in Mexico battled to preserve the institutionalization of the PRI regime. President López Portillo took over in

December 1976 and tried to strike back through the "petrolization" of the Mexican economy.

López Portillo's Presidency: Black Gold, Fools' Gold, 1976–82

José López Portillo came to power facing intensified political and economic conflict in Mexico. In the economic sphere, his government had to overcome the 1976 crisis and then find a means to deliver high rates of economic growth in a society undergoing rapid urbanization and modernization. In the political sphere, the government had to close the rift that had opened between the Mexican business elite and the PRI regime under Echeverría. Facing a legitimacy crisis due to Echeverría's political and economic (mis)management, the new government also tried to establish new institutional bases of legitimacy through electoral and party system reforms. It was thought that mild political liberalization would help to channel economic dissatisfaction and political discontent through the regime's institutions rather than through insurgency (the radical left) or investment strikes and capital flight (the right).

During the second half of the 1970s, power holders tried to strengthen the state in both Mexico and Chile. In Chile, the military, with the help of the Chicago Boys and the *gremialistas,* engineered the radical phase of neoliberalism and the institutionalization of the regime through the 1980 constitution. In Mexico, the government of López Portillo deepened the strategy of neopopulism to contain politico-economic antagonisms and to further synergies. This strategy was implemented through the transformation of Mexico into a powerful oil-exporting country. The Mexican government's strategy was the opposite of the military regime and its civilian staff in Chile. The former was based on state-led heavy industrialization of the oil industry—in other words, a state monopoly.

Promoting Politico-Economic Synergies through the "Petrolization" of Mexico

López Portillo's top priorities at first were to overcome the 1976 crisis and to close the rift between the Mexican business elite and the PRI regime. Early on, he extended an olive branch to the business community. He "proposed an *Alianza para la Producción,* omitted in his government program populist topics such as agrarian expropriation and public education . . . neither did he make allusions to the Revolution as was traditional . . . he clearly steered to the right."[64] Likewise, cautious macroeconomic management to meet IMF targets in 1977 and 1978 also

gave assurances to both the domestic and international business communities. By mid-1978, Mexico's short-term performance was rated favorably. "Confidence" had been restored, and rapid growth was in prospect.[65]

Cautious macroeconomic management balanced Mexico's accounts in the short term. López Portillo's government might have continued an orthodox economic policy after 1978, but the regime had to produce high rates of economic growth to retain its performance legitimacy. The new government shared its predecessor's diagnosis that Mexico's core political problems since 1968 were the result of the incapacity of the *desarrollo estabilizador* to deliver higher rates of economic growth accompanied with more aggressive wealth redistribution. One of López Portillo's alternatives was to further Echeverría's pursuit of aggressive state expansionism in the economy.

With respect to this diagnosis, it is important to emphasize that political leaders in the 1970s blamed the ISI economic development model rather than the noncompetitive, hegemonic party regime for the country's political dissatisfaction and radicalization. Several experts had asserted that the development model based on ISI faced mounting structural rigidities since the 1960s and had to be reformed.[66] However, as the military regimes in Chile, Argentina, and Uruguay embarked on neoliberal restructuring in the same period, it became clear that the retreat of the state and the construction of free markets would be politically and socially costly.[67] Also, although the military regimes in South America were not immune to political and social costs, the inclusive PRI in Mexico was much more sensitive and dependent on social consent. The widespread belief in Mexico in the 1970s was that the revolutionary regime's policies had gradually yielded a higher standard of living, widened working opportunities, promoted social inclusion—and that all these improvements would continue in the future.[68] Enter oil.

In 1972–73, explorers discovered massive oil fields in southeastern Mexico, in the states of Campeche, Tabasco, and Chiapas. Even before the 1973–74 OPEC price hike, Echeverría's government had given public investment priorities to develop Mexico's state oil monopoly, PEMEX.[69] Oil had been expropriated from American and British companies in 1938 by President Lázaro Cárdenas. State control of oil was one of the most powerful symbols of the hegemonic party regime's *nacionalismo revolucionario*. In the 1970s, during the world energy crisis, oil transcended its symbolic value and became a powerful strategic resource on whose sale López Portillo's government could reestablish high rates of economic growth.

The decision by López Portillo to promote the state-led oil industrialization of Mexico did not come out of the blue. The American government and various

foreign creditors supported the strategy. They changed their negative perception about Mexico's political and economic situation. President Jimmy Carter visited Mexico, the IMF and the WB extended new credits, and foreign investment started flowing back to the country.[70] The Mexican government used new credit to capitalize the private banking sector, ailing since the 1976 devaluation, and to further its aggressive policy of state-led oil industrialization. State participation in the Mexican economy experienced a sharp rise between 1970 and 1982. "The percentage of GDP accounted for by the public sector increased from 25 percent in 1970 to 48 percent by 1982."[71]

A renewed optimism invaded Mexico after 1978. López Portillo claimed that the state-sponsored development of the country's fabulous oil resources would make all Mexicans prosperous. In the words of the president, Mexicans would have "to learn how to administer abundance."[72] Under this climate of renewed optimism, organized interests increased their demands for public resources. Capital and labor suffered the contagion of the economic abundance mirage based on "black gold." The government tried to reconcile the interests of the Mexican business elite and of the organized labor movement through the short-term availability of oil-derived cash.

Politically, the renewal of the economic populist strategy started by Echeverría but spearheaded on a grander scale through the development of the Mexican oil industry diluted the pressures that organized interests had put on the previous government. It was a strategy that bought time for the regime and allowed it to ignore the calls for political democratization that had become increasingly louder since the late 1960s. In essence, the government's renewal of neopopulism through state expansion was mainly justified in terms of the PRI regime's political needs. By the middle and late 1970s, the government's most basic need—given that the revolutionary elite would not forego its hegemonic vocation through genuine political democratization—remained to strengthen its legitimacy and credibility through strong economic performance.

The strategy of the "petrolization" of the Mexican economy paid off in the short term. As long as the international price of oil remained high, the government remained popular with the masses and with the business community at home as well as with the American government and international financial institutions. López Portillo's government was successful in the short term in the containment of the politico-economic antagonisms it had inherited from Echeverría. It also furthered strong synergies between a high-growth, state-led economy and the PRI regime. For example, during these years this economic strategy strengthened the corporatization of Mexican politics and society. The oil workers'

union became very powerful politically and economically. Its leader, Joaquín Hernández Galicia, also known as "La Quina," would be a central political actor during the 1980s. Through control of this union, the PRI also became stronger in the Gulf of Mexico states and in the Southeast.[73] Popular hyperpresidentialism was thus possible as long as the economy was growing rapidly and as long as the state controlled significant proportions of economic activity.[74]

The government had a wide margin to act unilaterally in the adoption and implementation of economic strategy. This apparent strength, in the guise of, for example, the president's capacity to reform article 27 of the constitution to strengthen PEMEX's capacity to explore and exploit oil, was just that: apparent. Economic populism under "meta-constitutional presidentialism," that is, a system without checks and balances, hid a paradox.[75] Without deliberation and the necessary feedback to monitor and rectify macroeconomic strategy, the whole state apparatus was vulnerable to economic irrationality.[76]

The strength of the Mexican economy, and subsequently of the neopopulist strategy, seemed to rest on the perceptions of a single person, the president. Mexico's political and economic future thus rested on López Portillo's ability to interpret correctly the changing domestic and international political and economic trends. Beyond the flaws inherent in this strategy, it became increasingly more difficult as the international economic environment grew more volatile and uncertain after international oil prices collapsed and international interest rates skyrocketed from the middle of 1981 onward. The politico-economic stakes would only get higher as the president's last year in office approached. By 1982 it had become a dangerous gamble.[77]

The likelihood of furthering economic irrationality increased because of López Portillo's key reform of the state in the sphere of economic policy: the separation of taxation and public spending. The Treasury had traditionally carried out both functions. During Echeverría's years, the Office of the Presidency had increasingly taken over public spending. López Portillo institutionalized this separation of taxation and spending with the creation of the Secretaría de Programación y Presupuesto (SPP), a body with some of the former duties of the SHCP. The SPP was to be in charge of planning and allocating public spending. The separation of the taxing and spending functions had a negative impact on fiscal discipline during López Portillo's government.[78] The SPP would acquire increasing political influence as Mexico's economy remained in crisis throughout the 1980s. The next three presidents of Mexico after López Portillo were all *Secretarios de Programación* at some point before being chosen as presidential candidates of the PRI.

On the taxation side, the supposed strong capacity of the Mexican state was

also only apparent. Like Echeverría, López Portillo was not politically capable of introducing a progressive fiscal reform to strengthen the state and its support bases given the structural economic dependence of the PRI regime on private capital.[79] His attempted fiscal reform was watered down, just like his predecessor's. Its main element was the introduction of the VAT (Impuesto al Valor Agregado, IVA), a regressive consumption tax. Again, the state was unable to tax the business elite. The separation between taxing and spending thus increased the likelihood of a rationality crisis in the management of public resources. This was particularly true due to the government's aggressive oil industrialization strategy, which was financed through massive deficit spending.

Public spending rose from 18.2 percent of GDP in 1980 to 31.6 percent in 1982, while taxation decreased in real terms, from 15.8 percent in 1980 to 16.1 percent in 1982. Massive external credits were contracted to buy the capital goods needed to develop PEMEX. The public external debt increased from $33 billion in 1980 to $59 billion in 1982. The Mexican private sector also took advantage of the availability of cheap foreign credit between 1978 and 1981; Mexico's private external debt increased from 7 billion dollars in 1977 to 17 billion in 1980.[80] The mirage of oil-based "Mexican abundance" was fueled like the "Chilean miracle" of the late 1970s: on a huge increase in external debt. The difference between the two countries was that the indebtedness engine in Mexico was the government, while in Chile it was the private sector. By 1982, when the international debt crisis exploded, these differences did not matter much. Both regimes had to fight for their survival.

In Mexico, the government's strategy was based on the assumption that the petrolization of the economy would facilitate additional politico-economic synergies between a powerful oil-exporting state and a nationalist hegemonic regime with wide bases of social support.[81] The participation of oil exports in Mexico's total exports increased from 22.3 percent in 1977 to 72.5 percent in 1981.[82] By 1981, more than half of the country's annual GDP derived from the sale of crude oil. Even worse, despite the government's declaration that Mexico would not sell more than half of its oil exports to any one single country, by 1981 "it was selling more than 80 percent to the U.S. at prices below OPEC's."[83]

When the economy collapsed in 1982, President López Portillo's last year in office, the rationality crisis in the management of public resources led to a confidence crisis in the regime.[84] The role of high institutionalization has to be highlighted at this point. The Mexican political calendar—the six years of presidential office, the *sexenio*—structured the rise and fall of politico-economic synergies and antagonisms. The political cycle made Echeverría and López Portillo strong presi-

dents during the first half of their presidency. However, given the constitutional principle of no re-election, presidents gradually lost their authoritative politico-economic command during the second half of their term in office.

By the fifth year of the presidential term, the most powerful political and economic actors in Mexico used to start courting the next PRI presidential candidate and automatic future president of Mexico. Echeverría's and López Portillo's governments ended with the worst politico-economic crises Mexico had faced since the late 1930s. The regime's key inherent weakness—the weakening of the outgoing presidential figure, particularly in his last year in office—destroyed the neopopulist strategy to contain politico-economic conflict in Mexico. In the words of Carlos Bazdresch, "This weakness was neither independent from the government's political base nor from its capacity to produce the necessary legitimacy through the validity of democratic institutions."[85] Effecting politico-economic synergies in Mexico by the second half of the 1970s required more than a policy of high economic growth. It also needed serious political liberalization to relieve the increasing political and social pressure that converged on the PRI regime and its corporatist structures.

Engineering Political Liberalization: Electoral and Party System Reforms

Echeverría basically ignored the calls for political liberalization. His so-called *apertura democrática* paid lip service to the idea of broad political participation, but it did not promote any meaningful change in the rules of the game. This neglect showed very publicly in the 1976 presidential elections, when López Portillo ran unopposed. The center-right Partido Acción Nacional (PAN), which had played loyal opposition to the PRI since its founding in 1939, was unable to select a presidential candidate that year due to fundamental political strategy divisions among its leaders.[86] The PRI satellite parties—PPS and PARM—gave their support to the hegemonic party's candidate—as they always did. "The party system suffered a deep crisis: López Portillo had to campaign against diffuse enemies: the discredit of the system, abstention, and the ridicule of an election without rivals."[87]

Adding to the party system's legitimacy crisis was the need to confront the remnants of guerrilla fighters and political insurgency left after Echeverría's strategy of active cooptation and coercion. López Portillo's *Secretario de Gobernación,* Jesús Reyes Heroles, decided to tackle both problems by implementing a substantial political reform, the LFOPPE, in 1977. The reform contemplated modifications to the electoral law, the entry of more parties to the electoral arena, and an

amnesty for guerrillas who turned in their weapons. It was hoped that the political activity, which had increasingly been taking place outside the institutional channels since the 1960s, would return to the arena of political parties and elections.

In this arena, the hegemonic party could offer more opportunities for participation and representation of the opposition without ceding any control, an unintuitive idea. The official idea was to promote political participation through a more pluralistic party system. In other words, its aim was not the establishment of free and fair elections in the country but rather the renewal and strengthening of the social and political bases of the PRI's legitimacy through a more plural, more divided opposition represented in Congress. Reyes Heroles convinced López Portillo that it was better to aggregate the activity of the new political groups and forces in national political parties with small representation rather than allow them to engage in political activism and radicalization outside institutional channels.

The political reform was all the more urgent given the rise of politico-economic antagonisms after the 1976 crisis. The new radical movements, many of them offshoots of the 1968 student repression, were more dangerous to the regime than older ones "because they moved from opposition to decisions by PRI leaders to opposition to the PRI system itself."[88] The LFOPPE was effective in institutionalizing these movements' political participation after 1977, when half a dozen small left-wing parties were constituted to fight elections. After a decade of clandestine activity, these groups—PST, PMT, PSR, PPM, and PRT—had finally been recognized by the hegemonic regime as legitimate political actors.

The electoral reform transformed the plurality system into a mixed one. Inspired by the German elections for the Bundestag, it introduced two hundred seats to be disputed on the basis of proportional representation, to be added to the existing three hundred plurality seats. This change gave the smaller political forces an incentive to participate through the party system. Incentives for more plural participation and representation were also provided by establishing a low threshold (1.5 percent of the national vote) to achieve representation in the Lower Chamber. The reform also guaranteed public finance and media exposure to all political parties.[89]

The 1977 political reform was unprecedented in terms of the political liberalization it promoted in the party and the electoral systems. But even more, it was a political tool that the revolutionary elite during López Portillo's government used to renew the legitimacy and to strengthen the control of the PRI over the (now) increasingly plural and active Mexican political landscape. Several parties like the PAN on the right and the PMT on the left criticized the reform on the grounds that the *Secretaría de Gobernación* was left in charge of the organization, vigilance,

and sanctioning of elections. This meant that the hegemony of the PRI system would not be challenged but actually reinforced through new legal channels, meaning that a transition to full, competitive democracy would remain blocked.[90]

The reform also contained a strategic short-term objective. By opening up political representation through the electoral and the party systems, the 1977 reform created incentives for the opposition to run as small, fragmented parties rather than as a united front or broad opposition. By establishing low barriers for legislative representation, the 1977 reform created incentives for small political parties to run on their own instead of seeking political representation through joining existing larger parties such as the PSUM on the left or the PAN on the right.

The 1977 LFOPPE was first implemented in a presidential election in 1982. The effect on electoral support for the PRI was very visible. In 1982 the PRI's candidate, Miguel de la Madrid, won 72 percent of the national vote. The party lost twenty points with respect to the 1976 presidential election, in which López Portillo was elected with more than 92 percent. This proportion of votes had been an embarrassment because it was reminiscent more of the totalitarian Soviet Union's Communist Party rather than the popular democracy that the PRI revolutionary elite said it represented. The Mexican political system had to be relegitimized, but at the cost of decreased electoral support for the PRI. In the 1982 elections, the PAN's candidate, Pablo Emilio Madero, got 15.6 percent of the national vote, at the time the party's high-water mark. The electoral results of 1982 produced a concern among left-wing parties and the PRI about the dangers of "a swing to the right, or the development of a two-party system."[91]

The López Portillo government's political strategy was more successful in creating better conditions for political liberalization than its economic strategy was in furthering politico-economic synergies through aggressive expansion of the state in the economy. Participation was effectively channeled through the party system.[92] In these years, particularly after the 1982 economic crisis and the great social discontent it induced, elections in Mexico went from being marginal to the country's politico-economic rhythms to being central to them.[93] The politically institutionalized expressions of economic and social discontent after 1982 were favored because of not only the crash and the evaporation of the oil dream of prosperity but also the appearance of a broader electoral spectrum.

New representation alternatives on the left and the right allowed an increasing number of citizens to express their repudiation of the PRI regime's economic mismanagement in the 1970–82 period, and the social costs associated with

footing the bill throughout the 1980s. Along with Mexico, countries such as Chile, Brazil, Argentina, and Peru also found themselves paying prohibitively high interest rates on their massive external debts. Throughout the 1980s, these countries' regimes confronted the rise of political and social protest as a consequence of the 1982 crisis. What to do about this problem became a key dispute among the political and economic elites in Mexico as much as in these other Latin American countries.

In Mexico, the ideological conflict sparked new politico-economic antagonisms among actors of different persuasions. A "*disputa por la nación*," as it was universally called, ensued. In Chile, the *disputa por la nación* had been silenced through the military regime's use of force and its total control of public debate, universities, and the media. Besides, between 1973 and 1982, the Chilean left had been scattered through murder or exile. Therefore the dispute after the 1982 crisis took place in the streets, in the revived political parties, and in organizations such as the Catholic Church. In contrast, in Mexico the *disputa por la nación* took place at the heart of the PRI regime, in the office of the president.

La disputa por la nación

The creation of the CCE in 1975 had given the Mexican business elite the capacity to articulate an alternative politico-economic national project, a project that represented a return to classic liberalism: freedom of private activity and the establishment of property rights. From that point on, the business elite voiced this project as the cure for Mexico's ills. This was strengthened by the high levels of debt and inflation that neopopulism produced. In particular, the two economic crises of 1976 and 1982 strengthened this discourse as the only viable alternative to the crisis-prone, popular-nationalist strategy that Echeverría and López Portillo had each pursued, albeit in different ways.

The revival of classic liberalism in Mexico was strengthened by the rise of neoliberalism in the international sphere. This happened in the context of the post-1973 oil shocks and acute stagflation in the developed countries, in particular in the United Kingdom and in the United States, where Margaret Thatcher and Ronald Reagan were elected on New Right platforms. Critics of big government in the United States claimed that since the Kennedy and Johnson administrations, "government had used most of its economic resources to distribute among the pressure groups that had been capable of developing enough pressure and political presence to occupy a niche of government spending . . . without any

consideration about the efficiency" of such expenditures."[94] The time had come to roll back the state and impose free market discipline on both American government and American society.

By the late 1970s, neoliberalism had also been implemented in some Latin American countries. The rise to power of military bureaucratic-authoritarian regimes in Chile, Argentina, and Uruguay in the early 1970s was accompanied in each case by attempts to introduce a strong free market impulse.[95] All these events in the international sphere stirred ideological debate in Mexico. The advocates of returning to economic freedom and rolling back the state in Mexico saw neoliberalism as the solution to rising inflation, massive deficit spending through spiraling external indebtedness, and increasing statization under Echeverría and now López Portillo.

By 1981 members of the Mexican intelligentsia—that is, in its original sense of "intellectuals engaged in politics"—had identified the rise of a *disputa por la nación*. The two sides in the dispute were the "neoliberals" and the "nationalists." The dispute raised the stakes not only on organized economic interests like the business elite and the corporatist trade unions but also on the intelligentsia and López Portillo's cabinet itself. Incipient neoliberalism in Mexico had strong support from the U.S. government and big business. Domestically, the internationally oriented Mexican business sectors, particularly the financiers, supported it, along with the big merchants, the landowners, the big industrialists in the North, and large chunks of the middle class. On the contrary, the nationalist project was backed by the working classes, particularly those organized politically either through the PRI corporatist system or independently. Organized workers, peasants, domestically oriented industrialists, small and medium businesses, the intelligentsia, public universities, and the new left-wing parties were in favor of the popular nationalist project.[96]

Apart from these socio-political alignments, these members of the intelligentsia also highlighted the fact that a similar divide was occurring inside the state apparatus. On the one hand were the nationalist politicians and bureaucrats who were facing increasing opposition from the rising technocrats in the state's economic apparatus, particularly in the Treasury (SCHP) and the Central Bank (Banco de México). Clear fault lines separated these conflicting groups. An ideological and political as well as an economic policy battle was taking place at the heart of the Mexican political system. The battle inside the system carried on in a similar way to the conflict between two top officials under Echeverría. The secretaries of SHCP, Julio Rodolfo Moctezuma, and of SPP, Carlos Tello, confronted one another over the overall level of the national budget early in 1978. The conflict

was reinforced by the new formal separation of the tax and spending functions. On this occasion, López Portillo had to ask both secretaries to resign. But the conflict between orthodox and nationalists did not go away.

When international interest rates spiked and the prices of oil collapsed in the second half of 1981, López Portillo was caught not only between economic policy alternatives but also between the pressures of the upcoming electoral year. The government could not possibly discourage the PRI's corporatist sectors in the runup to the July 4, 1982, presidential elections. In this context, a new conflict in the cabinet ensued after the government was forced to devalue the peso in February 1982. The secretary of SHCP, David Ibarra, and the director of the Central Bank, Romero Kolbeck, were against the indexation of workers' wages after the devaluation. Secretary of Industry José Andrés de Oteyza was in favor of indexation. The president grasped one of the fundamental differences between the orthodox and the nationalist projects, and his own dilemma: "This conflict has been due to the industrial [official] who asks for more public investment and the financial [official] who asks for more control. My own criteria support the view of the former, but I have to be prudent."[97] But this was not true. In the end he asked for the resignation of the orthodox official and decreed wage indexation.

Events in the international sphere helped to magnify the conflict between neoliberals and nationalists in Mexico. International interest rate hikes and a plan to bring down oil prices were part of the Reagan government's economic stabilization policy.[98] The Federal Reserve under Paul Volcker, still during the Carter years, tightened monetary policy, and international lending rates such as the prime rate more than doubled from 9 percent in 1978 to 20.3 percent in 1982. With respect to the collapse of oil prices, the governments of the industrialized nations agreed at a 1980 conference in Venice to reduce their energy requirements for the immediate time being. The Reagan administration also put pressure on the Saudi government, one of its key allies, to defy OPEC and increase its daily oil supply. These measures transformed the theretofore sellers' oil market into a buyers' one. Having reached a peak of $38.50 per barrel in 1979, it successively went down from June 1981 onward. Both changes strangled the Mexican economy and raised the tradeoffs for the advocates of the neoliberal and the nationalist economic strategies.[99]

The Mexican government and the domestic and international business elites became increasingly estranged. López Portillo's strategy, dubbed "petro-Pharaohism," clashed directly with these groups.[100] At its heart, this was a political battle. The business elite again voiced its own development project based on free markets, counterposing it to the government's state-led *desarrollismo*. The U.S. govern-

ment and the international financial community supported the business elite and joined in their criticism of the Mexican government's nationalist politics.[101]

"Petro-Pharaohism" also produced an international political consequence that clashed both with the American government's interests in the Cold War and with López Portillo's aspirations. In 1980, in the midst of the oil dream of prosperity, López Portillo declared Mexico to be a "middle power" and said that he considered Central America to be its "natural area of influence." Mexico started supporting Nicaragua, where the Sandinista Revolution had triumphed in 1979, diplomatically as well as economically through free or low-cost oil supply. The Reagan administration became furious. Reagan declared that the United States was facing a great challenge from the revolutions in Central America. If these "Cuban-Soviet communist revolutions are not defeated," he claimed, "the Panama Canal, and eventually Mexico will come under threat."[102] Part of Reagan's justification for military intervention in Central America also became the proximity of Mexico's oilfields to Guatemala, El Salvador, and Nicaragua.

Politico-economic antagonisms therefore became acute in the international sphere. López Portillo thought there was a direct connection between the currency devaluation of February 1982 and a trip he made to Managua, Nicaragua. The revolutionary government of that country bestowed on López Portillo the Augusto César Sandino medal, named after the nationalist patriot who fought U.S. occupation of Nicaragua between 1927 and 1933. A few days before his trip to Managua, the U.S. Ambassador John Gavin and the president of the CCE, Manuel J. Clouthier, visited López Portillo and tried to dissuade him from going. Clouthier told the president that such a trip would increase the "distrust, capital flight, hostility, disincentives to invest, and the destabilization" that the country had lately been experiencing. The president felt threatened not only by the Mexican business elite but also by the "concern and annoyance that [the trip to Managua] was producing in the White House . . . there was a menacing tone" in the ambassador's words. Over the next couple of days, capital flight increased and López Portillo was forced to pull the Bank of Mexico out from the currency market. The currency suffered its first macro devaluation since the one under Echeverría in August 1976. The president recalled: "I knew since Gavin and Clouthier's visit that this was going to be the most critical week of my government." Things were about to become "dry and tough."[103]

Politico-economic antagonisms did indeed become drier and tougher throughout 1982. The *disputa por la nación* had become a political problem for the regime. It raged on, in Mexican-American relations, among organized economic interests, among the intelligentsia, and in López Portillo's cabinet. In the wake of economic

debacle and a presidential election around the corner, the Mexican government had become increasingly isolated.

1982: Economic Debacle and the Fall of "Neopopulism"

Having become dependent on the vicissitudes of two international prices, namely, oil and money, López Portillo's government had to swim harder and harder against the current when the collapse of the first and the rise of the second strangled the Mexican economy. The external debt had increased more than fourfold, from $20 billion in 1976 to almost $80 billion in 1982. The country became, along with Brazil, the most heavily indebted country in the world. The government found it increasingly difficult to service its debt obligations. Facing a similar external debt crisis, the radical version of neoliberalism under the Chicago Boys also collapsed in Chile. The 1982 crisis destroyed neopopulism in Mexico and the radical version of neoliberalism in Chile.

The domestic political effects of the international debt crisis in Mexico and Chile were huge. Amidst social and political protest, the Chilean government eventually adopted a more pragmatic version of neoliberalism. In Mexico, organized economic interests clashed with the state, and the confrontation between the government and the business elite became even more virulent than in 1976. López Portillo's last year in office was particularly difficult. He had to confront the rapid deterioration of the country's finances and face the presidential elections at the same time. The government tried unsuccessfully to implement economic measures to cut its bulging fiscal deficit and to ameliorate inflationary pressures. Its incapacity to carry out these measures successfully can be understood by highlighting the increasingly polarized pressures from organized interests. Labor refused to moderate its wage claims, and the business elite refused to halt price rises on their products. The price-wage conflict was a reflection of the relative weakness of the Mexican government, which had been, until Echeverría's rupture with business, a successful industrial relations manager. Several analysts perceived the "power vacuum" that dominated López Portillo's last year in office.[104] The principal organized interests were able to put great pressure on the government. Business engaged in massive capital flight, and organized labor threatened two general strikes in the first half of 1982.[105]

The conflict took on a strong political and ideological flavor after the presidential elections. The government was incapable of sustaining the currency, despite the president's pledge, and, in an action that shook the international financial community, it floated the currency on August 18, 1982. That day, the secretary of

the treasury, Jesús Silva Herzog, declared that the Mexican government could not meet its external obligations and would be forced to declare a temporal moratorium on its external debt payments. The August 1982 devaluation brought on the worst economic crisis in Mexico since the late 1930s.

López Portillo wanted to avoid Echeverría's end-of-*sexenio* crisis. Accusing the Mexican private financial community of "bleeding" the country through massive capital flight to American banks, the president decided to nationalize the private banking system and freeze dollar-denominated bank accounts. He decreed these measures during his last address to the nation, on September 1, 1982. He thought that the state takeover of the private banking system would stop the "bleeding" process.[106] The greatest problem for the next Mexican government, under Miguel de la Madrid (1982–88), was that the state's apparent strengthening through its takeover of the banking system was, as before, only apparent. In reality state capacity was weakened: in nationalizing the private banks, the government also assumed its massive debts, which had increased from $7 billion in 1977 to more than $20 billion in 1982. As in Chile, the bill incurred by Mexican bankers was footed in the end by Mexican taxpayers. De la Madrid's government faced a quasi-permanent politico-economic crisis, which never allowed it to exploit the economic potential of the state's banking monopoly.

The banks' nationalization hit the private sector at its neuralgic center. It counterattacked immediately. The CCE orchestrated an ideological campaign called México en la Libertad (Mexico in Liberty), in which the right-wing PAN and PDM also participated. Many business organizations from all over the country joined the campaign, as did conservative sectors in the Catholic Church. The private media giant Televisa participated as well, so the campaign had widespread diffusion and deep penetration in Mexican society. The main objective of México en la Libertad was to highlight the great levels of corruption that implicated many members of the government, including the president himself, identifying it as the basic cause of the 1982 debacle. The campaign also warned the Mexican population about the socialization of life and the future establishment of communism in the country.[107] Thus, just like in 1976 against Echeverría, the Mexican business elite became vocal at the end of López Portillo's government: "The bourgeoisie had reached the presidential succession on the offensive."[108]

The next government paid the costs of this new crisis of confidence between the Mexican economic elite and the PRI regime. From 1982 onward, the regime's historical politico-economic project embodied in *nacionalismo revolucionario* did not regain private business's confidence. From that point onward, Mexican big business demanded the restructuring of the Mexican economy along neoliberal

lines. This message carried great weight due to the country's dependence on external credit; meanwhile, the international financial community promoted streamlining, liberalization, and all the policies that later came to be known as the "Washington consensus."[109]

Supporters of the PRI regime in Mexico feared that technocrats in the state might actually favor an alliance with the Mexican business elite. The nationalists would have to strengthen the regime's alliance with the popular sectors.[110] Rekindling this alliance was another of the purposes of the nationalization of the Mexican private banking sector.[111] After the presidential expropriation decree, the PRI staged massive worker, peasant, and popular sector shows of support. The left-wing parties, including the Communist Party, supported López Portillo's battle against the financiers. Progressive newspapers and publications also joined in support of the measure.[112] The Mexican political and economic elites were again bitterly divided during an end-of-*sexenio* year. As in 1976, politico-economic antagonisms dominated the succession politics of 1982.

After the Mexican economy collapsed in August 1982, the IMF—with the American government's blessing—bailed out the Mexican economy. Influential political figures in the United States such as Senator Edward Kennedy declared that "the health of the Mexican economy is vital to America."[113] The American government responded by presiding over the creation of a private creditors' club to restructure the Mexican debt. New measures to stabilize and adjust the economy were imposed.[114] The United States government thus coordinated the bailout, which turned out to be more than $10 billion.[115] In exchange, "the Mexican government practically guaranteed that the United States would buy the bulk of its oil production at lower prices than the future market value."[116]

López Portillo summarized Mexico's new situation by saying that "with the stabilization programs of the IMF the state's capacity to solve conflicts disappears, and the capacity to govern is cancelled."[117] The president's perception highlighted again the role of the Mexican political calendar in weakening presidential authority, particularly in his last year in office. Under financial and economic scarcity, government control could become compromised. This was particularly the case of the Mexican political system, whose legitimacy flowed from its ability to manage politico-economic conflict through patronage and clientelism. Containing political conflict without money to distribute would become increasingly harder in the 1980s, as Mexico—a developing country in great need of capital investment—became a net exporter of capital to developed economies.[118]

Derived from this consequence was also the country's dependence on foreign finance, both to meet its credit obligations and to promote basic economic ac-

tivity.[119] After more than a decade of using neopopulism to contain and manage politico-antagonisms in Mexico, the PRI regime found itself broke and exposed to external "conditionality."[120] The case of the Chilean economy's collapse in 1982 was similar. Even though the Chilean debacle was caused by high rates of private business indebtedness rather than the government's massive deficit spending, it faced the same type of conditionality when Pinochet's government asked for assistance from the IMF. By the end of 1982, both the "Chilean miracle" and the Mexican "petro-Pharaohism" were dead. Both regimes faced unprecedented politico-economic challenges and a crisis of legitimacy.

Conclusion

The rise and fall of neopopulism as a politico-economic strategy in Mexico between 1970 and 1982 sparked a dual transition that lasted thirty years. The period started with the pendulum moving to the left with the popular-nationalist and *tercermundista* rhetoric of Echeverría and the eventual rupture between his government and the Mexican business elite. This conflict was reinforced after the nationalization of the Mexican private banking system and the 1982 economic debacle under López Portillo. These successive politico-economic crises produced the demise of the state-led nationalist-populist project of economic development and strengthened calls for economic liberalization and political democratization.

From 1975 onward, the Mexican business elite invoked economic liberalism as an alternative to the inefficiency, corruption, and paternalism of the popular nationalist economic strategy based on state expansionism. The international environment strengthened calls for economic liberalization as neoliberalism rose to political prominence in the Southern Cone countries and then in the United States and the United Kingdom. The Mexican business elite found support in Washington, D.C., against the populist governments of Echeverría and López Portillo, just as the Chilean elite had against Allende. Influential economic and political forces in the United States favored Mexico's opening and liberalization—the powerful American businessman David Rockefeller had supported Mexico's accession to the GATT since the 1970s.

From the dual transitions perspective, the unlimited "authoritarian advantage" that the Mexican political regime under the PRI had enjoyed at least since the 1940s was questioned in 1976 and 1982. Nonetheless, the regime's firm institutionalization under the aegis of the PRI, the 1917 constitution, and the corporatist system of sector representation and negotiation gave the regime's leaders breathing space to manage and negotiate the rise of end-of-*sexenio* politico-economic

antagonisms. That the "authoritarian advantage" was questioned due to these crises goes without saying. However, the Mexican regime, like the Chilean regime under the aegis of the 1980 constitution, possessed the institutional tools that allowed them to structure, time, and negotiate events once they suffered their respective economic debacles.

What was at stake in 1982 in Mexico, Chile, and the rest of Latin America was the continuation of centralized authoritarian rule. In Chile the recently crafted military regime under the 1980 constitution faced its first "irruptions" of politico-economic antagonism. In Mexico the ageing PRI regime also confronted dangerous political and economic conflict. Before the crisis of 1982 and the expropriation of the private banking system, the business class had not participated actively in politics through a political party that might have become a credible alternative to the PRI in governing Mexico. They had developed their own informal links with the PRI leadership through their employers' associations. But they decided to sever these links after the conflicts with presidents Echeverría and López Portillo. After 1982, many members of the business class became politically active through formal affiliation in the PRI and in the PAN. From these positions, they voiced their own liberal development project, and tried to gain popular support for it.[121] In particular, after the 1977 political reform, the renewed electoral arena became an increasingly important channel of political and social discontent directed at the PRI. Likewise, in Chile the 1982 crisis helped to revive the traditionally strong Chilean political parties to organize, express, and channel social and political discontent over the mismanagement of the economy.

The 1982 crisis forced the Chilean and the Mexican politico-economic trajectories, which had been increasingly dissimilar in the 1970s, to converge through the crisis management strategies the two authoritarian regimes undertook. Both had to recuperate credibility and legitimacy if they were to survive the crises. Unlike their counterparts in Argentina, Bolivia, Brazil, Ecuador, Paraguay, Peru, and Uruguay, the two countries possessed the institutional capacity with which leaders of both regime and opposition could negotiate the timing, scope, and extent of political and economic liberalization. As it turned out, the authoritarian regimes in Mexico and Chile were the only ones in Latin America to survive the 1980s. How they contained politico-economic antagonisms and laid the conditions for synergies is the subject of the next part of this volume.

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Chile's Decisive Decade, 1982–1990

From the Economic Debacle to the Transition to Democracy

The 1982 debacle plunged Chile into its worst economic crisis since the Great Depression. Politico-economic antagonisms were reignited, and the military regime's finest hour had given way to a period of renewed crisis. Financial and economic collapse dealt the military government's legitimacy and prestige a great blow. Broad opposition to the regime was felt through active mobilization and social protests between 1982 and 1985. In response, the government again implemented its strategy of declaring a state of emergency to suppress popular opposition against its handling of the economy. Then, between 1985 and 1988, successful stabilization of the economy and the resumption of growth came to Pinochet's rescue. The economic upturn and the coercive suppression of social protests checked the rise of politico-economic antagonisms. This allowed the military regime not to lose control, like its neighboring counterparts in Argentina.

In this chapter I argue that the 1980s crisis-ridden Chile resembled Mexico's case more than its own neighbors. Mexico, like Chile, was one of the countries that was hit badly by the 1982 economic crisis. The Mexican government also paid the cost of economic adjustment and restructuring through the loss of legitimacy and prestige as well as through the activation of opposition to the PRI. Like the Chilean regime, but unlike its counterparts in Argentina, Bolivia, Ecuador, Peru, and Uruguay, authoritarian rule in Mexico was strongly institutionalized, and this contained the rise of politico-economic antagonisms. Both regimes were able to impose time frames—through the so-called *proceso de amarre* in Chile and through the *sexenio* calendar in Mexico—for the expression and negotiation of politico-economic differences by leaders in the authoritarian regimes and in the opposition.[1] These time frames structured the political process in both countries

at a time of acute social and economic dissatisfaction, which helped to contain politico-economic antagonisms and lay the foundations for synergies.

In Chile, after almost a decade of social and political suppression, the 1982 economic crisis sparked the revival of organized political opposition to the military regime. Political parties and social movements did not disperse or cave in once the economy was stabilized, and growth resumed after 1985. Opposition assumed a wide variety of forms. Guerrilla groups such as the Movimiento Izquierda Revolucionaria, the Frente Patriótico Manuel Rodríguez, and the Lautaro group initiated limited acts of political violence that had a strong impact on public opinion. Trade unions organized massive rallies and demonstrations against orthodox economic adjustment. The middle class joined the mobilizations against the military regime's handling of the economy under the radical phase of neoliberalism, with affluent housewives taking to the streets banging pots and pans. Small and medium business organizations publicly demanded steering away from radical neoliberalism. Their petitions envisaged a move toward a pragmatic economic orthodoxy, according to which state regulation and state intervention in the economy was necessary and even beneficial.

Social protest also gave way to a revival of the traditionally strong Chilean political parties in 1982. Party leaders took over the organization of civil society's mobilization against the regime throughout the rest of the 1980s. In due course, party leaders realized that the regime would not collapse, give way, or even negotiate through popular mobilization. Thus, by the mid-1980s they decided to fight the regime on its own terms by following the rules and timing set out in the 1980 constitution. To this effect they organized a wide pro-democracy bloc to vote against the continuation of General Pinochet's term in office. This process culminated in three dramatic events: Pinochet's defeat in the October 5, 1988, national plebiscite; the first democratic presidential and congressional elections since 1972 on December 14, 1989; and the eventual return of democratic rule on March 11, 1990.

Throughout the crisis-ridden 1980s, Mexico experienced a similar process of popular organization, social protest, and emergence of parties opposing the regime. Much as in Chile, politico-economic antagonisms in Mexico were eventually channeled through the ballot and the popular vote in 1988. However, whereas the PRI regime was not defeated officially and continued to rule for twelve more years, the military regime in Chile did give way to a democratic regime, albeit a "restricted" one.

However, the 1980 constitution had mandated that the outgoing military regime must stay in power until at least March 11, 1990. Between October 5, 1988,

and that date, the military regime and its supporters negotiated their withdrawal from power. This period became known as the *proceso de amarre*. The military regime and the democratic opposition negotiated key constitutional reforms to shape the post-authoritarian state in Chile. The 1989 constitutional reforms established the permanence of a "restricted" or "tutelary" democratic regime in Chile as well as the preservation of the neoliberal economic order. Negotiation, a genuine desire for consensus, and agreement between the regime and the opposition prevailed. This process greatly smoothed Chile's dual transition. It allowed politico-economic synergies to develop and helped make the 1990s a decade of relative political stability and economic prosperity for Chile.

Economic Crisis and Political Turmoil, 1982–85

The 1982 economic crisis triggered a strong wave of politico-economic antagonisms in Chile. Such antagonisms were concentrated in civil society, organized economic interests, and the political regime itself.

Dissatisfaction of Organized Economic Interests

Trade unions and small and medium employers' associations organized the first protests against Pinochet since the 1973 military takeover. Organized labor's mobilization, initiated by the copper industry unions, sparked massive social protests in Chile in 1982 and 1983. The Pinochet regime responded by declaring a state of emergency, one that included heavy-handed repression and the forced exile of a leading labor leader.[2]

The dissatisfaction of small and medium business groups also contributed to the strengthening of politico-economic antagonisms during the early 1980s. The radical phase of neoliberalism did not only destroy the short-lived, big business *conglomerados*. It also left behind heavily indebted small and medium agriculture, commerce, and transport businesses. As a consequence, they organized the *Multigremio*, the group of peak employers' associations, and "staged an 'entrepreneurial revolt' [to which] the government responded harshly and threatened to use force against those entrepreneurial leaders who 'waged politics.' "[3] The government used carrots and sticks shrewdly. On the one hand, it offered partial solutions to the major problem of the country's debt in an attempt to weaken the entrepreneurial mobilization. On the other hand, it used police force to thwart these groups' meetings and exiled the leader of the wheat producers' association.[4] As in the past, the military regime used the state of emergency to thwart the

opposition effectively. Nonetheless, in this case, the regime found that its strength and political autonomy would be seriously weakened if it lost the confidence and support of the Chilean business community and the middle class. The same mechanism weakened the PRI in Mexico, where small, medium, and even big businessmen started supporting the PAN after the 1982 collapse.

Civil Society Mobilization

After a decade of enforced quiescence, the working classes, the middle classes, and even some of the rich took to the streets to protest against the government's handling of the economy. During the massive early protests of 1983, *El Mercurio*'s editorial pages called the protests the most serious challenge the regime had faced since taking power in 1973.[5] The protests and violent government reaction reached such ferocity that on August 11, 1983, during the fourth large-scale protest, twenty-six people were killed and one hundred injured.[6]

The evolution of unemployment levels during those years helps to track how politico-economic antagonisms waxed and waned between 1982 and 1988, the year of the plebiscite. Unemployment climbed from 15 percent in 1981 to 25.7 percent in 1982 and on to 30 percent in 1983. Thereafter, it gradually declined to 23 percent in 1984, 18 percent in 1986, and 14 percent in 1988.[7] The rise of mass protests led the military leaders in Chile to realize that even if they could rule without the active support from a majority of the Chilean population, they did need their passive acquiescence. The mass mobilizations got the attention of the military incumbents in Chile because, unlike the military regime in Argentina, they had thus far not been seriously challenged.

Political Regime: The Revival of Political Parties

The mobilization of civil society and the concerns expressed by well-organized economic interests also had immediate effects at the level of political society. The most important effect was the partial revival of the Chilean political parties, traditionally the strongest political actors in Chile and the backbone of the country's political process.[8] Parties had been proscribed by the military regime since 1973. However, once the post-1982 social protests gathered momentum, the leaders of the various political parties risked reviving them. Soon parties became the key organizing mechanism of the popular anti-regime mobilizations. Their revival during the period 1982–85 was a crucial development for the long-term structuring of the dual transition process in Chile. Furthermore, it was not the revival of

political parties per se that most mattered but rather their ability to work together. In August 1983, leaders of the Christian Democrats, the Radicals, renovated Socialists, and even some center-right dissidents created the Alianza Democrática.[9] The Alianza provided the leaders of the various parties a broad, common opposition platform to oppose the military regime. The reorganization of the opposition culminated in 1985 with the Acuerdo Nacional para la Transición a la Plena Democracia. The role of the Catholic Church was crucial to achieving the Acuerdo. In 1983, Cardinal Raúl Silva Henríquez, a defender of human rights and a perpetual critic of Pinochet's regime, was replaced in Santiago by a more conservative and pragmatic cardinal, Juan Fresno, who was instrumental in the organization of the rapprochement of parties' leaders with the government.[10]

The opposition's convergence proved crucial for Chile's dual transition. In particular, the rapprochement between Christian democrats (PDC) and renovated socialists (PS and PPD) would have long-term political consequences.[11] The parties' leaders "concluded that the institutional breakdown of 1973 had been largely a consequence of the joint failure of the Left and of Christian Democracy to defend their democratic institutions by reaching a political compromise."[12] They rediscovered the value of electoral democracy, which had been tarnished by political polarization and conflict between 1958 and 1973. They thus decided to join forces and fight together for the restoration of democracy.

There were traditional (adherents to the orthodox tenets of Marxist-Leninist ideology) and renovated (believers in liberal democracy with a social-democratic commitment to economic policy) Chilean socialists. Many of the renovated were influenced by the experience of exile in Europe. They dropped such Marxist tenets as the need for a centrally planned economy and the abolition of private property. In turn, they adopted the ideas and tactics of leaders of the European left like Willy Brandt in West Germany, Felipe González in Spain, and Enrico Berlinguer in Italy. Their ideas about the desirability of a mixed economy and the need for cooperation among capital, labor, and government influenced the Chilean renovated socialists.[13] It forced them to become more flexible and pragmatic and to accept compromises in the fight to further Chile's dual transition—the restoration of democracy and of a mixed economy. Eventually, this partial "elite settlement" sowed the seeds for the formation of the Concertación de Partidos por la Democracia in 1989, the multiparty coalition that has governed Chile uninterruptedly since the return of democracy in 1990.

A parallel development was the reappearance of a liberal democratic right, which was in favor of the restoration of democracy. A new generation of modern right-wing militants, free-market and internationalist in orientation, became in-

fluential in the conservative and nationalist old right movement, which had been the Partido Nacional (PN) until its self-dissolution in 1973. This group helped to form Unión Nacional, later called Renovación Nacional (RN). This party appeared on the political stage as a reaction to the creation in September 1983 of a hard-line pro-Pinochet right-wing party, the Unión Democrática Independiente (UDI), under the leadership of *gremialistas* such as Sergio Fernández and Jaime Guzmán.[14] UDI expressed its unconditional support for the government of the armed forces, its commitment to the political order outlined in the 1980 constitution, and its support for "a free economic system."[15] UDI rejected the Acuerdo Nacional for a transition to democracy.[16]

Radical Opposition and Opposition inside the State

The reappearance of center-left and center-right political parties whose top priority was the reestablishment and the defense of political democracy and a liberal-oriented mixed economy helped to further Chile's dual transition. Eventually this other partial "elite settlement" helped the opposing camps to build mutual trust and, when the time came, to agree to turn the 1988 plebiscite into an open and fair election and to abide by its results.[17]

A very small but violent opposition also appeared in the form of guerrilla groups, whose main objective was to topple the military regime through the *vía insurreccional,* or "path of insurrection." At the height of the social protests in 1983, the Movimiento Izquierda Revolucionaria (MIR) carried out the assassination of the military *intendente* (military chief) of Santiago. The Centro Nacional de Información (CNI), the regime's intelligence agency, counterattacked and killed or arrested ten leading members of the guerrilla group. The exiled leaders of the PC, Luis Corvalán, and of the PS, Clodomiro Almeyda, had endorsed the insurrection path after the September 11, 1980, plebiscite ratified the 1980 constitution, thereby institutionalizing the military regime.[18] But these tactics did not help the post-1982 social protests. Indeed, one of the main reasons that the protests had waned by 1985 was that middle-class protesters were frightened off by the possibility of widespread violence and terrorist attacks. The result was that, in the words of a prominent opposition leader, "the retreat of the middle classes thwarted the viability of social mobilization as a tool to topple the military regime."[19]

The greatest challenge to Pinochet's power monopoly between 1982 and 1985 did not lie in the revival of Chilean political parties or in massive social protest. Nor did it lie in the *vía insurreccional,* which actually divided Pinochet's opposi-

tion. It lay within the armed forces themselves. The 1982 economic crisis forced the individual services of the armed forces to assume stronger roles in crisis management, which did nothing for their unity.[20] The heads of the Air Force, the Navy, and the Carabineros became increasingly opposed to Pinochet's discretionary and personalized approach to crisis management. Factionalism in the armed forces can be mortal to military regimes, as demonstrated by the Argentine military fallout after their crushing defeat in the war over the Malvinas (Falklands to the British). However, Pinochet's regime managed to avoid this fate. In fact, it was the only military regime to survive the 1980s in South America. Why?

Containing Politico-Economic Antagonisms

Unlike Argentina, where strong politico-economic antagonisms spread to all levels of political organization after the Malvinas defeat, the Chilean military regime, though challenged, was able to contain such antagonisms. Specifically, it never lost control of the state and managed to keep the confidence of domestic and international business and support from influential sectors of Chilean society. Similarly, in Mexico the armed forces became involved in the "war against drugs" in the 1980s, but the PRI's resilience did not lie so much in the armed forces or coercion as in the high degree of institutionalization of the political system.

In Chile, Pinochet was able to check military dissension by fusing the hierarchically led military-as-institution with the military-as-government through uncontested personal rule.[21] This allowed him to safeguard the military regime from succumbing to internal divisions during the critical 1982–85 period.[22] Moreover, Pinochet's knack for mixing sticks and carrots shrewdly had not abandoned him. In August 1983, at the zenith of civil society's massive protests, a small and medium private sector revolt, and criticism inside the military itself, he decided to implement an ad hoc regime opening, a promise from the authoritarian regime to engage, even if only slightly, with the opposition. He appointed Sergio Onofre Jarpa, leader of the PN, to be the minister of the interior.[23]

Jarpa's mission was to diffuse the opposition to the military regime. He baited the leaders of the Alianza into believing that Pinochet might negotiate fundamental constitutional reforms with the opposition, which might shorten the transition to democracy calendar. This plan contributed to the diffusion of politico-economic antagonisms and helped to shape Chile's dual transition. First, it proposed new legislation on elections and parties and the creation of a pro-regime movement. Second, it proposed the reactivation of the Chilean economy through the active use of public resources and the punishment of those responsible for the 1982

financial collapse.[24] This document implicitly articulated a particular view about the process of dual transition in Chile. It called for the political sphere to be reactivated through the preservation of the politico-legal order enshrined in the constitution and the articulation of a strong, popular pro-regime movement. It thus wanted the political transition to proceed through the order envisaged in the constitution, that is, the creation of a tutelary democracy. In the economy it sought to modify the radical phase of neoliberal restructuring by bringing back state involvement in the reactivation and protection of key economic sectors. It thus wanted the economic transition to proceed toward a liberal-oriented economy coupled with a strategically active state.

Jarpa engaged the leaders of the Alianza Democrática so that the opposition would collaborate in controlling and channeling civil society's protests in an institutional direction.[25] As a first gesture the state of emergency was ended.[26] He reassured badly hit economic interests by promising the modification of the neoliberal economic policy and the reactivation of the Chilean economy through expansionary means.[27]

Thus, the promise of political opening and economic populism bought Pinochet precious time at the height of the strong politico-economic antagonisms that the 1982 economic crisis had triggered. Faced by a crisis of performance legitimacy, the political opening also helped the military regime to garner political and economic support from groups that had been excluded from the policy process since the early 1970s.[28] Among the new economic allies that the government courted were the *gremios* (SFF, SNA, CPC). The collapse of the Chicago Boys' radical version of neoliberalism, and with it the financially oriented *conglomerados,* paved the way for the previously excluded traditional employers' associations to participate in the economic policymaking process. In July 1983 they put together a document, "Recuperación Económica," which rejected radical neoliberalism and outlined a "pragmatic neoliberal" strategy. Pragmatic neoliberalism's main proposals were government rescheduling of the private sector's debts with preferential credit, enactment of re-flationary policies such as increased public spending and lower interest rates, tolerance of deficits in fiscal spending and annual inflation rates of up to 30 percent, public works and housing programs, enactment of an active industrial policy through tariffs and export incentives, tax cuts, and, very importantly, greater access to the policy process.[29] In short, this proposal attacked the inflexible version of market-oriented policy that had been implemented between 1975 and 1982, making instead the case for pragmatic state intervention in the regulation of the economy.[30]

The pragmatic neoliberal proposal gathered momentum as the economic crisis deepened. Between 1982 and mid-1984, three different ministers of the Treasury tried to stabilize the economy. In particular, Minister Carlos Cáceres committed himself to implementing orthodox stabilization measures, a strategy that permitted the Chilean government to seek international financial assistance. The IMF backed the Chilean government, and Cáceres was able to renegotiate the country's foreign debt.[31] The measure reopened international credit lines.

Orthodox adjustment, however, only deepened the crisis. Faced with mounting social protest and an entrepreneurial revolt, the threat of a broad multiclass opposition forced Pinochet to change economic policy and listen to the advocates behind "Recuperación Económica." Pragmatic neoliberalism was thus implemented.[32]

In April 1984, Pinochet decided to support Jarpa's proposal of reactivating the Chilean economy through expansionary means. He reshuffled his economic cabinet and brought members of the pragmatic neoliberal group into the Treasury and the Ministry of Economy. As a consequence, a new economic policy favoring state intervention and active fiscal and monetary management began to be implemented. Moreover, with these appointments state institutions supported the pragmatic coalition. The new relationship between capital and the state was characterized by participation of business organizations in the policymaking process. This process strengthened this sector's support for the military regime.[33] A parallel mechanism operated in Mexico when, in the face of the 1985–86 recession, President Miguel de la Madrid's government switched economic policy strategy. This change consisted of a pact (Pacto de estabilidad y crecimiento económico, PECE) uniting employers, workers, and the state. The *pacto* allowed effective state regulation and intervention in economic adjustment, as in Chile, and forged cohesive relations with organized economic interests, most of all with capital and to a lesser extent with labor. In both Chile and Mexico, effective state capacity and the presence of strong institutional enclaves permitted governments to exercise cohesive political coordination of economic actors through the use of vertical authority, as it was concentrated in the person of the president and faced few checks.

Short-term political and economic concessions in Chile permitted the military regime's leaders to contain politico-economic antagonisms by the end of 1984. On the one hand, the changes in economic policy rekindled the loyalty to the military regime from previously excluded powerful economic interests. On the other, the ad hoc political opening allowed the government to engage the opposi-

tion under the revived political parties. In addition, unsuccessful political violence by guerrilla groups played into the hands of the government. It provided arguments in favor of the maintenance of a military regime in Chile to preserve political order and social peace. This message resonated particularly with the middle classes, which disengaged from the social protests.[34] Pinochet did not hesitate to reimpose the state of emergency in November 1984 to quash political extremists. The state of emergency also included control and censorship of the opposition parties, the Church, and the media.[35] At this point, it appeared that the ad hoc political opening, coupled with the brutal military repression of the opposition's rallies and the economic policy switch to pragmatism, had served to contain the politico-economic antagonisms unleashed by the 1982 economic collapse.[36]

Economic Recuperation and the Road to the Plebiscite, 1985–88

By 1985 an economic upturn came to the rescue of the military regime, which helped to defuse the politico-economic antagonisms that had been sparked in 1982. Developments in the international economy such as declining oil prices and interest rates and rising copper prices stimulated the Chilean economy. Domestically, the shift in economic policy and the rekindling of political loyalty with key economic interests allowed the Chilean military regime to preside over a period of sustained economic recovery. Gradual economic recovery diffused popular pressure against the government. In conjunction, hard-line rule through the state of emergency also convinced the opposition's leaders that the only feasible way to defeat the military regime was to follow the opportunities and constraints provided by the transition calendar in the constitution.[37]

The window of opportunity for the opposition became the national plebiscite over the continuation of military rule in Chile held on October 5, 1988. Aware of this, the political forces that supported the military regime focused energy and resources on the organization and the campaign on the plebiscite.[38] In a meeting, Patricio Aylwin and Francisco Bulnes, notables of the DC, the largest party of the opposition, and of the pro-military regime's nationalists, respectively, agreed that the constitutional path would minimize the uncertainty and instability associated with a transition to democracy.[39] Economic recovery and constructive political engagement thus softened the process toward the plebiscite by moderating events in both the political as well as the economic spheres during one of the most vulnerable points of Chile's dual transition process.

Strengthening the Regime

Early in 1985, as the mass social protests waned, Pinochet dismissed the heads of the heterodox, populist cabinets that had managed the political and economic turmoil at the height of the crisis in 1983 and 1984. Jarpa's dismissal brought to a formal end the so-called political opening. Treasury Minister Luis Escobar was dismissed the same day. His dismissal ended the period of economic reactivation through expansionary means.[40] These changes corresponded with the strategy of Pinochet's advisers to strengthen the government in the runup to the 1988 plebiscite. To carry this out, it was decided that the government would strengthen its position through the reimposition of discipline in both the economic as well as the political spheres.[41]

In the political sphere, Pinochet's inflexibility with respect to constitutional reforms guaranteed the military regime's tenure until 1990. The opposition's popular mobilization strategy did not reach the levels that might have forced the military government to give in to the reforms modifying the "protected democracy" model enshrined in the 1980 constitution. Jarpa's ad hoc opening was used as a smokescreen to buy time and to divide the opposition. By August 1984, feeling that his grip on power was again secure, Pinochet was able to boast to the *New York Times* that allowing open political debate so much time ahead of the 1988 plebiscite had actually been a mistake.[42] Having refused to give in to any of the opposition's demands with respect to changes to the democratic transition calendar or to reforms that might modify the tutelary state, he summarily dismissed any ideas about a future opening. This reinforced the idea that Chile's dual transition would unfold under tight regulation by the political order spelt out in the military's constitution and thereafter through the politico-economic model of restricted democracy.

The abandonment of the political opening did not, however, erase the impact the 1982–85 politico-economic crisis had on the way Chile's dual transition unfolded. For example, the ad hoc opening permitted the regime to divide and rule until 1990. It bought it precious time at a juncture when deepening politico-economic antagonisms might have forced negotiating constitutional reforms with the opposition. In turn, such reforms, by changing parts of the authoritarian enclaves or the transition calendar, would have structured the Chilean dual transition differently.

Even though the military regime was relatively successful in imposing its conditions on the way the country's dual transition unfolded, it eventually had to pay

a price. The 1982 economic collapse "signified a crisis of the regime's material base, the keystone of its global project to guarantee a capitalist transformation."[43] This profound crisis of performance legitimacy underscored the need to develop mechanisms of representation and accountability to oversee and control the Chilean government's handling of the economy. In a way, radical neoliberalism had proved as vulnerable to economic irrationalism as the UP's *vía al socialismo*.

Seen from a comparative perspective, the 1982 crisis marked a turning point in Latin American political history.[44] In Chile, the revival of the opposition wounded Pinochet's regime, and the situation never returned to the status quo ante. In countries like Argentina, Bolivia, Brazil, and Uruguay, the crisis helped to trigger transitions to democracy.[45] In Mexico, the 1982 crisis triggered a legitimacy crisis for the longstanding revolutionary regime under the PRI. Opposition parties as well as popular organization and mobilization surged and strengthened throughout the 1980s. It remains the case that in Chile as in Mexico—and unlike in other Latin American countries—the regimes' high institutionalization provided the strength and cohesion to survive the region's 1982 debacle, albeit in a weakened state.

Strengthening Economic Performance

In the economic sphere, orthodox managers akin to the Chicago Boys were reinstated to preside over economic policy after 1985, thereby ensuring an end to the early phase of expansionary policies. The orthodox lobby warned Pinochet about the inflationary dangers and disruption of social discipline that continued populist and expansionist policies could produce. They accused the crisis management cabinet of adopting the opposition's populist rhetoric, implementing their economic interventionism and protectionism, and promoting negotiations with the traditional *gremios* and political party leaders in order to revive the old political system.

The return of more orthodox economic management nonetheless must be distinguished from the early phase of radical neoliberalism. It was more pragmatic and promoted the expansion of market forces as well as strategic state intervention and effective regulation of the economy. Of particular importance was Hernán Büchi's appointment as finance minister. Unlike the previous economic ministers who had tried to manage the economy since the 1982 crisis, Büchi was not a businessman but rather a technocrat with a long career in the Chilean bureaucracy under Pinochet. But he did not resort to full liberal orthodoxy, and he accepted, surprisingly, the basic tenets of pragmatic neoliberalism: a

market-oriented economy that would be strengthened by active state regulation and intervention. In his words, "The strategies we followed were to recognize that the economic policy followed since 1975 was correct; there were no fundamental errors in opening up to the world, in the integration and creation of markets, and in privatization. . . . The basic points [to follow were] strengthening export capacity, strengthening investment, strengthening savings, reconstituting the private sector, managing efficiently the external debt, and implementing the necessary measures to reactivate the creation of employment."[46]

This important change represented a return to a more technocratic policymaking style. The influence of business leaders in the economic cabinet was thus reduced when compared to the pre-1982 period. They still had influence in policy formulation and implementation, but with the Ministry of Finance, the Central Bank, and the Office of the Budget under the command of career bureaucrats, Pinochet's advisers made sure that discipline was reimposed. Unlike the early days of the Chicago Boys, the pragmatic neoliberal economic team was more willing to consult and negotiate openly with organized economic interests.[47] Its relative bureaucratic autonomy "enabled it to arbitrate conflicts among business groups. That quality helped to soothe tensions within the pragmatic coalition."[48]

The pragmatic neoliberal strategy contemplated the implementation of a mixed economic policy. It fostered low real exchange rates and provided fiscal guarantees for private debts as well as a second wave of privatization and strict banking regulation. It implemented an incomes policy to keep inflation at bay while engaging in fiscal stimulus through an active industrial policy of strategic subsidies and tariffs.[49] The new economic strategy contributed to a swift and sustained economic recovery. Between 1985 and 1990, annual GDP per capita grew 3.3 percent, annual inflation averaged less than 20 percent, and unemployment decreased from 21.4 percent to 5.7 percent. The Chilean economy's dynamism during the second half of the 1980s helped to reconstruct the social bases of the military regime.[50] It was evidence of the rise of new politico-economic synergies between a perceived strong military political order and a strong recuperating economy. Pragmatic neoliberalism can thus be seen as a deliberate strategy to strengthen politico-economic synergies in the runup to the 1988 popular vote on the military government's survival.

Courting International Actors

International factors also contributed to the strengthening of politico-economic synergies in Chile at this point. The Chilean economy's performance again be-

came an international "success story." Given its coincidence with the initiation of major economic liberalization and market-building processes in widely different regions of the world, the Chilean economy's record would end up being cited as a model to follow in Latin America, Central Eastern Europe, and sub-Saharan Africa in the early 1990s.[51] The Chilean government worked hard to shine again in the international economic sphere. In the words of Büchi, the second wave of privatization and liberalization "was an effective strategy to increase investment, particularly foreign sources." This had direct political implications in Chile because it helped to reconstitute the private sector and closed the rift between the military regime and the business elite after the collapse of the private banks and the *conglomerados* in 1981–82. Export capacity and employment were strengthened through active public policies that established "explicit subsidies for big industrial companies . . . price bands for agricultural products [and] compensatory and refinancing schemes in other productive areas." In addition, "businessmen and landowners were allowed to retain control of the ministries that regulated their sectors, such as agriculture, and mining."[52] Politically, these selective measures kept the *gremios* satisfied, and they appealed to middle and lower classes because they had brought about rising employment and real wages.

Honoring the country's external debt was a means of attracting foreign investment through confidence and debt capitalization. The strategy was "to put Chile back in the map of foreign investors."[53] But this policy also had important political consequences in the international sphere. From the early 1980s onward, the international community became increasingly critical of military human rights violations in Chile. The U.S., European, and other Latin American governments condemned the Chilean junta in international institutions such as the UN and OAS. When Büchi's good economic management started showing results, the Chilean government used them as a tool of international action to renegotiate the external debt, to get financial assistance, and to neutralize political pressures emanating from the international organizations.

By tying powerful international interests to the Chilean economy in the form of instruments such as swaps, the pragmatic neoliberal administration ensured that powerful voices such as the U.S. Treasury, the IMF, and the World Bank, as well as big private financial firms would monitor its evolution closely. This in effect raised the cost of alternative plans to steer the economy away from the pragmatic neoliberal strategy. It also strengthened the military regime's position by putting governments such as that of the United States, which agreed with Pinochet's economic policy but disagreed with his attitude toward human rights, in an uncomfortable position. Thus, the short-term success of the post-1985

economic policy "strengthened calls for the moderation of other governments' criticisms of the Chilean government. [After all, Chile] was the country that was leading the 'good example' among debtor countries, enjoyed prestige with the international business community, and this fact had to be recognized even by the same governments that were putting pressures to promote political change."[54] This move fostered links between international and domestic factors that gave rise to politico-economic synergies: they strengthened both the Chilean economy and the Chilean military regime. In short, they strengthened Pinochet's position. In this case, key international actors, particularly in the United States, shared a great fear about the debt crisis in Latin America. On several occasions the governments of the big regional economies such as Brazil, Mexico, and Argentina considered the possibility of defaulting on their external debts.[55] That was why the U.S. government praised the economy of a good debtor as Chile even if at the same time it expressed concern about its human rights violations.[56]

Lastly, the implementation of fiscal adjustment through rolling back the size and expenses of the state also gave the Chilean government political support from big business, both at home and in the international community, in particular from the IMF and the World Bank. Fiscal current expenditure, which in 1984 represented 30 percent of GDP, was cut to less than 20 percent in 1986.[57] Critics pointed out that rolling back the state contributed to the "social debt" associated with neoliberal restructuring. The retreat of the state in Chile created "serious needs associated to human capital, particularly in health, social security and education. . . . The negative externalities thus created isolated parts of the laboring sectors from modernity and the market. . . . This was unusual in Chile [because] it had been one of the relatively more egalitarian countries in Latin America with respect to its economic policies."[58] Büchi's response to this accusation followed the neoliberal's fatalistic tendency to invoke inevitability. He pointed out that "if this had not been implemented the social sectors would have got worse because the economy would have not increased its savings, its investment, and therefore there would not have been newly generated resources to respond to the social sectors' needs."[59]

As this work emphasizes dual transitions, the key point to highlight is that short-term economic recuperation diffused political opposition to the military regime. Good economic performance once again became one of the military regime's strong cards. Economic success during the late military years and during the military's withdrawal from power between 1988 and 1990 thus had important political consequences: economic success strengthened the military's bargaining power during the transition to democracy.

Nowhere else in Latin America did outgoing military regimes obtain as many privileges as they did in the Chilean case. From the perspective of dual transitions, the two most important were the continuity of the 1980 constitution and thus of a "tutelary" or "restricted" democracy and the consolidation of a neoliberal, export-oriented model supported by pragmatic state intervention. The obvious paradox was that the Chilean model, the exemplary blackboard case praised and put forward as the example for Latin American, East European, Asian, and African countries to follow throughout the 1990s, was in reality neither a liberal democracy nor a neoliberal economy following the "Washington consensus." Until 2005, it remained a restricted democracy, while to this day its economy operates on mixed liberal/interventionist economic principles—a state monopoly, the copper industry, still provides the bulk of the country's exports.

The Plebiscite of October 5, 1988: Renewed Politico-Economic Uncertainty

Having contained the strong wave of politico-economic antagonisms between 1982 and 1985, the military government concentrated on creating a strategy to contest and manage the 1988 plebiscite. A visit to Chile by Pope John Paul II in February 1987 was interpreted as the Catholic Church's support for a fair and free plebiscite.[60] Regime advisers were uncertain about potential popular support for the government in the plebiscite. Former minister of labor José Piñera raised government concerns about the potential competitiveness of the plebiscite by asking, "Who will suffer a Waterloo in 1988?"[61] Uncertainty led Pinochet to reappoint Sergio Fernández as minister of the interior in July 1987. This move was interpreted as the return of hardliners to set up a "projection-past-plebiscite-cabinet."[62] In effect, Pinochet brought back into government the *gremialista* lawyers who had drafted the constitution and had managed the unaccountable plebiscite of September 11, 1980.

Fernández's main tasks were to secure eight more years of rule for Pinochet and to protect the constitution from any attempts to reform it, whether before or after the plebiscite.[63] He also had to convince the opposition about the soundness and fairness of the electoral system and the surrounding political laws whose drafting and initial implementation were his responsibility. There was not much that the opposition could do to deter the reinstatement of hardliners at the helm of the state during such a critical period. Despite the Alianza Democrática's insistence on the government's resignation and the Communists' call to bring the regime down in 1986, which they had wishfully called "the decisive year,"[64] the

regime remained in a very strong economic and political position in the runup to the 1988 plebiscite.

The opposition's demands were also weakened by marginal but radical actions perpetrated by guerrillas during "the decisive year," as the opposition called 1986. In particular, the assassination attempt by the Frente Patriótico Manuel Rodríguez (FPMR) against Pinochet in September 1986 provided the regime with the justification it needed to reinstate the state of emergency.[65] Such actions alienated the moderate sectors of Chilean society from the Alianza Democrática, which had worked to bring about a negotiated transition to democracy. Moreover, such actions were also a plausible justification for the military to remain in power. Radicalism played into the arms of the military regime.[66]

The international sphere also played a key role in shaping the political side of Chile's dual transition at this point. Pinochet himself was deeply suspicious of the American government's increasing criticism of military rule in Chile. Some months before the terrorist attempt against his life, the *Washington Post* reported that Pinochet had accused the CIA (in conjunction with Soviet agents!) of plotting to get rid of him.[67] He confirmed his suspicions a year later when he told *Le Monde* that a CIA plot had been the first thing that had sprung to mind during the FPMR's attempt against his life in 1986.[68] It is true that American-Chilean relations, after a rapprochement in the early Reagan years, cooled down and became strained after the military regime's harsh responses to the social protests sparked by the 1982 economic crisis. After 1983, Washington openly criticized the human rights violations in Chile.[69] Assistant Secretary of Inter-American Affairs L. Anthony Motley told Congress in 1985 that the American government would actively favor "the restoration of democracy [in Chile] through a dialogue between the pro-democracy forces in the regime and the pro-negotiation forces in the opposition."[70] To further this course of action in October 1985, Reagan appointed a conciliatory figure, Harry Barnes, as ambassador in Santiago. Barnes mediated between government and opposition in the runup to the 1988 plebiscite.

Other important sources of international pressure against the military regime during this period were the demonstration effects from neighboring countries. In effect, the transitions to democracy in Peru (1980), Bolivia (1982), Argentina (1983), Uruguay (1985), and Brazil (1985) left Chile with the only remaining military regime in the subcontinent in the late 1980s.[71] Chile's neighbors also considered that their new democracies would not be safe until the elimination of military rule from the entire region. They thus coordinated efforts to put diplomatic pressure on the Chilean regime.[72]

International support for the democratic transition in Chile was also channeled through the opposition. International cooperation in the form of organizational and financial support and international observers, who eventually vouched for the fairness of the 1988 plebiscite, helped to structure the process in a way that raised the costs of cheating or impositions by either of the two contending sides. It is no exaggeration to say that the eyes of international civil society were on Chile before, during, and after the 1988 plebiscite. The UN, the OAS, and well-known NGOs such as Amnesty International and Americas Watch put pressure and participated in the plebiscite process.[73]

All did not go smoothly inside the military regime in the runup to the plebiscite.[74] The idea behind the plebiscite was to ratify (or reject) the continuation of the military regime in power for eight years. Thus, there were no other candidates or programs, only one question: Should Pinochet continue to rule or not? Even though the junta officially backed Pinochet, there were important disagreements at the top. Pinochet's man, Minister Fernández, fought hard to prevail among the other top members of the junta—General Matthei, Admiral Toribio, and General Stange—all of whom voiced their preference for a civilian, "more conciliatory" candidate.[75] The right-wing parties were also divided between the strongly pro-Pinochet UDI and the more conciliatory RN. Several regime advisers argued against the plebiscite as a voting mechanism. Jaime Guzmán—UDI's president—had said, "If president Pinochet wants to be re-elected it would be better to do it through an open election against more than one candidate, rather than through a rigid plebiscite." Francisco Bulnes, a venerated leader of the right wing, asserted that "if Pinochet loses the plebiscite, it will be the Armed Forces that will be rejected." But the confident Fernández retorted that several people had confronted him with similar arguments in 1980, and the regime had gone on to win the constitutional plebiscite anyway. He was also aware of the institutional strength of the Chilean political system, and said, "Even if we lose, we have got the Constitution that clearly spells out the way the country will move on."[76] Fernández's statement shows that despite a certain level of perceived political uncertainty by members of the regime and its supporters, they still had confidence in the 1980 constitution and its transition calendar. As long as both camps played by the rules of the game, Chile would avoid the more uncertain and volatile politico-economic events that accompanied the "ruptured" transitions that had occurred in Portugal in 1974 and Argentina in 1983. If the process were followed, high institutionalization as defined by the 1980 constitution would contain future politico-economic change, which would have to proceed gradually and by consensus. In turn, this

would allow the pro-military and the pro-democracy camps to negotiate permanently as piecemeal changes and reforms were implemented to the restricted democracy model and to the neoliberal economic order. Eventually, by agreeing to play by the tight rules of the 1980 constitution, both camps would implicitly create the conditions of stability, mutual credibility, and relative certainty required to further politico-economic synergies.

Notwithstanding the internal tensions and disagreements inside both camps prior to the plebiscite, seven and a half million voters (92 percent of eligible voters enrolled) were ready, and they cast their vote on October 5. According to reports by official observers, the plebiscite was practically fraud-free. The Concertación option ("No") received 3.9 million votes (54.7 percent) and the pro-Pinochet side ("Sí") 3.1 million votes (43 percent).[77] (A small percentage of votes were null or spoilt ballots.) This result showed that Chilean society was deeply divided. Even though the regime operators had confidence in the strength of the constitution and expected both camps to adjust their behavior accordingly, the military regime's plebiscite defeat opened up a period of uncertainty.

Chile's dual transition would have unfolded differently if such expectations of moderate, cooperative behavior between regime incumbents and opposition had not been met. This was a bit like the period of uncertainty in Mexico after the 1988 elections, the large-scale electoral fraud, and the early days of the Salinas presidency. In both cases, events could have spiraled out of control, as happened in Bolivia and Brazil after their return to democracy in 1982 and 1985, respectively. In these countries, the return to democracy was followed by a decade of weak political leadership and boom-and-bust economics. Moreover, in both countries the first elections were indirect, and this produced widespread dissatisfaction and social protests. What would happen to the military's politico-economic model in Chile when the regime stepped down? Would a return to democracy include changing the constitution to transcend the "limited democracy" it spelt out? Would the country steer the economy away from the neoliberal model to address the "social debt" incurred after fifteen years of restructuring? Would the country's politics and economy spiral out of control, as in neighboring countries? The regime and the opposition's leaders pressed these and other concerns during the military's last year in power. Their negotiating teams brokered important political reforms to ensure both camps' compliance and loyalty toward the post-1990 politico-economic order. (Something rather similar occurred in Mexico with Salinas and his informal alliance with the PAN.) In Chile this period came to be known as the *proceso de amarre,* "the tying-up process."

The *Proceso de Amarre*: Guaranteeing Tutelary Democracy and Neoliberalism, October 5, 1988–March 11, 1990

The 1980 constitution stated that if the military regime were to lose the plebiscite, it would nonetheless remain in power until March 11, 1990. According to Luis Maira, a close participant in the *proceso de amarre,* the drafters of the Chilean constitution, wishing to avoid the failed experience of *franquismo* in Spain, inserted the extra year of military rule.[78] Indeed, in November 1975 Franco, on his deathbed, was confident that he was "leaving things tied and well tied," as he put it, that his authoritarian system would outlive him. Less than a year later, a transition to democracy in Spain eradicated that authoritarian political model, changing Spain for good.[79] The power bloc in Chile therefore furthered a gradual, controlled retreat, extracting key prerogatives that allowed it to continue to exercise powerful influence and leverage into the post-authoritarian period. The relative balance of regime and opposition forces and the tendency of the various players' strategies and actions to follow the tight, predictable institutional framework spelt out in the 1980 constitution became the key features that shaped Chile's comparatively successful dual transition. Such high institutionalization also became the key factor that shaped Mexico's dual transition.

Structuring Chile's Dual Transition through Its Institutionalized Regime

The *proceso de amarre* period was a turning point in Chile's dual transition. Growing uncertainty with respect to Chile's political and economic future after the 1988 plebiscite was mitigated and defused during the next two years, a period of intense negotiations in which both political camps grew to trust each other and learned a great deal about the workings of politics. This process unfolded within the 1980 institutional framework. The strength and stability of these political institutions and the willingness of both camps to play by the rules of the game mitigated the uncertainty surrounding Chile's future. In Chile as in Mexico, strong political institutions and a political class playing by the rules of the game eventually became the foundation for the appearance and prevalence of politico-economic synergies.

Before all this was accomplished, however, the period of intense negotiations and mutual understanding had to unfold successfully. A positive outcome was not preordained. Negotiations could have ended in head-to-head confrontations and mutual distrust. Not all of the Chilean political forces were in favor of negotiations between the regime and opposition forces. The pro-Pinochet UDI on the

right was against any reforms to the constitution. After losing the plebiscite, Fernández was replaced as head of Interior. He advised his successor, Carlos Cáceres, that "it would not be in the interests of the country to reform the constitution."[80] The left wing was also against the possibility of the democratic opposition entering into negotiations with the military regime. The historic communist leader Luis Corvalán would later declare that the reforms had perpetuated the power of the military regime after they stepped down. In his view, "Aylwin's democratic government operates in an anti-democratic framework. It is a prisoner government due to the Constitution and the 'tying-up' laws."[81]

It will come as no surprise that Pinochet did not want any negotiations and constitutional reforms either. He was only convinced by the argument that constitutional reforms were inevitable sooner or later, and if this was the case, then it was better to have them while he was still the head of state and government rather than when civilians had democratically returned to power.

The successful negotiations and mutual understanding that developed during this critical period were due to the willingness of the center-left (Concertación) and the center-right (RN) to engage constructively. Cáceres recognized that such engagement was fundamental to counter the contested legitimacy of the 1980 constitution, to further political stability, and to retain the neoliberal economic model in the post-authoritarian order. The center-left opposition accepted such reasoning. Edgardo Boeninger, a key Concertación participant, highlighted the way the political and economic spheres became intertwined in the negotiations:

> It was vital for the opposition to accept the 1980 Constitution as the fundamental law that would rule in the new democratic Chile. It was argued, reasonably in our view, that such acceptance would allow the preservation of the articles that guaranteed property rights and the rest of the rules protecting the market economy. Without such agreement the expected electoral triumph of the *Concertación* could lead to a climate of political instability in which the new government, supported by a popular majority, could demand a Constituent Assembly to draft a "really democratic" constitution. And the minimum conditions to stop this reversal of fortunes through a coup d'état like September 11's were absent.[82]

The center-right's leadership also accepted this reasoning.

According to Andrés Allamand, a key participant representing RN, the negotiations represented a radical change in the way the country had dealt with constitutional dilemmas: "The Constitution had come to be seen as a tool to use against political rivals. The military government had imposed its constitutional views in 1980. The Concertación, with its threats to call whenever it could a constituent

assembly, wanted to impose theirs. Such logic was now banned. A Constitution cannot be a weapon that rivals use alternately. Neither can it be a factor of division. On the contrary, in any well-ground democracy the Constitution must bring together and be a factor of cohesion."[83] What interests us here is this shared reasoning. The major political camps accepted it and worked through it, which permitted the establishment of the foundations for politico-economic synergies of the 1990s. Indeed, Chile's dual transition would become an exemplary case. In effect, both camps sacrificed some of their constitutional preferences to further a broad political agreement that would endow Chile's future politico-economic process with stability and gradual politico-economic change forged by consensus, not majoritarianism.

A New Political Settlement: Restricted Democracy

The regime and its supporters negotiated from a position of strength vis-à-vis the center-left opposition. Cáceres and his team agreed to eliminate some of the more controversial elements of the 1980 constitutional text. For example, the proscription of political organizations according to their ideology (Article 8) was eliminated. The requirement of the approval of two successive legislatures to pass constitutional reforms was also eliminated. International human rights treaties were raised to the constitutional level. Restrictions on individual rights given future states of emergency were also limited. The Consejo de Seguridad Nacional's prerogative to veto projects and decisions of the democratically elected governments down the road was changed to a capacity to voice objections only.

Some of these reforms were even in the interests of the outgoing military regime and its supporters. For example, the 1980 constitution originally created a hyperpresidential political system as a reaction to the prevalence of executive-legislative deadlock between 1958 and 1973. However, as Allamand contends, such an executive "was designed . . . thinking that general Pinochet would win the plebiscite. But given that now we would be on the receiving end, it was convenient to diminish some of the exorbitant faculties granted to the executive."[84] Thus, the president's power to dissolve the Chamber of Deputies was abolished. The same happened to the president's authority to approve laws with majority support in one legislative chamber and one-third support in the other.

However, the pro-Pinochet UDI leadership was not convinced even by such mild reforms; it was opposed to constitutional reforms in principle. It argued that "the 1980 system, which privileged institutional stability, has been modified, and such stability potentially reduced."[85] In contrast, the advocates of reforms realized

that despite their strong bargaining position, these changes were essential to move toward the creation of a broad political settlement between outgoing and incoming political forces.

Still, the center-left opposition—in a position of relative weakness—had to accept the existence of provisions that guaranteed the control and influence of the military regime into the post-authoritarian era. In the negotiations, the disaffected center-left participants became convinced that the *proceso de amarre* reforms would "effectively help to shut alternative paths for Chile to become a full democracy."[86]

How did these new rules help to shape the path that culminated in a restricted democracy and a neoliberal economic order? A key set of rules that contributed to these outcomes were the laws regulating political parties and elections. The military regime's electoral reformers proposed a "binomial electoral system" to ensure parties of the right a majority in the legislature and to create a formula that encouraged less fragmentation and polarization in Chile's traditionally broad and lively party system. The binomial electoral system created sixty legislative districts, each with a magnitude of two. In order for a party or coalition to win both seats in any district, it had to double the vote of the party that came in second. Otherwise, the party or coalition that came in second got the remaining district seat. Given that electoral competition in Chile is high and victory margins tend to be low, the likelihood that a victorious coalition in any given district will more than double the votes of the runner-up coalition is low, so this system tends to favor the runner-up coalition (the right).[87] Elections throughout the 1990s led several authors to conclude that the binomial electoral system forced the traditionally fragmented and polarized multiparty system in Chile to converge in the center around two broad coalitions, the center-left Concertación and the center-right RN-UDI. Thanks to this system, Chile has experienced moderate rather than polarized electoral pluralism since the return of democracy.[88]

The binomial electoral system has been criticized on the grounds that it makes the creation of legislative majorities very difficult. In consequence, the potential for executive-legislative deadlock under divided government (when the executive and the legislative are under different parties or coalitions) should not be overlooked. This possibility would be more likely in the future if some of the parties in the center-left or center-right coalitions decided to leave and contest elections on their own. Another drawback of the binomial system is that it encourages divisiveness because only two seats per district are contested, which means that rewards for coalition participation are limited because some parties feel underrepresented in Congress. The Concertación, which has governed Chile uninter-

ruptedly since 1990, has been most threatened when arguments over electoral spoils and cabinet positions emerge. The system has also produced the systematic political exclusion of smaller parties that have not joined one of the major coalitions—as has occurred to the Communist Party, which despite a stable electoral base of support has remained without a single representative in Congress since 1990.[89]

However, at least through the presidential elections of 2006, none of these drawbacks has really arisen since the political settlement negotiated during the *proceso de amarre*. The coalitions have remained in place, executive-legislative relations and the policy process has proceeded incrementally through the forging of active consensus, and the excluded minority political forces have not increased their popular support through alternative proposals.

Another key move by the military regime's negotiators was the appointment of new members to the Supreme Court. Pinochet's Justice Minister Hugo Rosende offered incentives to veteran Supreme Court justices to retire. Seven out of a total of seventeen members retired, and Pinochet appointed young justices loyal to the military regime and its politico-economic policies. The regime's negotiators wanted the court to become a watchdog overlooking the functioning of restricted democracy. In addition, the Supreme Court's authority to define the legality of cases concerned with the human rights abuses perpetrated during the dictatorship allowed it to block initiatives to prosecute military personnel during the early post-authoritarian years.

The military regime's negotiators also pushed for Pinochet to stay as commander-in-chief of the armed forces until 1998. Thereafter, like other former presidents of the republic, he would take a life seat in the Senate. Pinochet himself justified the need for strong centralized authority in the armed forces after the military relinquished power by pointing to the experience of Argentina. In that country, President Raúl Alfonsín, the first democratic president after the 1976–83 military period, confronted two military uprisings. His own presence, Pinochet argued, was needed to guarantee the unity and discipline of the military in the new political order. Ultimately, his active presence through 1998, unlike Franco's, ended up helping to preserve the politico-economic order whose construction he presided over until the October 2005 constitutional reforms dismantled the institutional arrangements that had kept Chile a "restricted" democracy since 1990.

The military regime's negotiators also sought to retain personnel loyalty in the state machinery, so they pushed for the posts in the bureaucracies appointed during the military regime's years to be made permanent. This measure not only

rekindled the bureaucracy's loyalty toward Pinochet, it also precluded the new civilian authorities from appointing people of their own trust. The same occurred with designated mayors throughout Chile. In order to ensure loyalty to the outgoing military forces, the mayors remained in their posts until President Aylwin promoted a "direct municipal elections" reform in 1992.

Some of the more controversial measures pushed by the military regime's negotiators during the *proceso de amarre* were guarantees against investigations and retribution by the incoming civilian regime with respect to human rights abuses committed during the dictatorship. In 1978 an Amnesty Law covered all official actions carried out by the armed forces and police personnel since September 11, 1973. As the day for regime changeover approached—March 11, 1990—the military lobbied for strong guarantees against retribution. One of Pinochet's last dispositions was thus to prohibit Congress from investigating the events that occurred during the military regime. This was expressly a legal prohibition that impaired Congress' faculty to summon and hold officers accountable for their actions. Pinochet also dissolved the regime's secret police in order to avoid investigations into its activities. The dreaded DINA, dissolved in 1977 and replaced with the CNI, had carried out many acts of official repression. The dissolution of CNI in 1989 meant that its official archives were transferred to the Army's Intelligence Unit, where they would be safe from public scrutiny.

The *proceso de amarre* had several important effects on Chilean politics in the 1990s. The center-right pointed out that the constitutional reforms strengthened the legitimacy of the 1980 constitution. In what Allamand called the "forgotten plebiscite," on July 30, 1989, the new constitutional text was subjected to a popular plebiscite, and 85.7 percent of the population voted in favor and only 8.2 percent against.[90] The center-left also agreed that the changes of 1989 had a legitimating effect on the 1980 constitution.[91] In addition, leading members of the Concertación reasoned that the most important objective in 1989–90 was to ensure regime alternation, even if that meant accepting the *proceso de amarre*. It was assumed that once the majoritarian center-left bloc took over the presidency and a majority in the Chamber of Deputies, "a cumulative process would be unleashed to carry out gradual changes that would favor the new governing coalition."[92] The road toward fuller democracy could then be undertaken gradually.

The broad legitimacy forged by the 1989–90 reforms created a new political settlement that provided the center of gravity for post-transition politico-economic dynamics in Chile, which furthered the prevalence of politico-economic synergies throughout the 1990s. Regaining the center of gravity that Chile had lost in the 1958–73 period was crucial for the positive evolution of politico-economic activity

in the country. It was a necessary step toward the enactment and growth of synergies. Politico-economic stability spilled over from the state to the regime and to organized economic interests. Also, the international support for political democracy and free markets throughout the 1990s (the "rush to democracy and free trade") provided a suitable and reinforcing environment for the reproduction and strengthening of these synergies in Chile.

Finally, the plebiscite process consolidated the division of post-transition Chilean political camps between the parties that supported the "No" through the Concertación, and the parties that supported the "Sí" (UDI-RN). With minor developments, this stable configuration of two broad multiparty coalitions has dominated the political scene since the return of democracy.[93] An enduring pattern of the competition between the two broad coalitions to occupy the center of the political spectrum also contributed to the stability and incremental politico-economic change in Chile between 1990 and 2000.

Conclusion

Seen from a comparative perspective, the 1982 economic crisis marked a turning point in Latin American political history.[94] In Chile, the revival of the opposition wounded Pinochet's regime, and the situation never returned to the status quo ante. In countries like Argentina, Bolivia, Brazil, and Uruguay, the crisis helped to trigger transitions to democracy.[95] Likewise, in Mexico the 1982 crisis triggered a legitimacy crisis for the longstanding PRI regime. Opposition parties as well as popular organization and mobilization surged and strengthened throughout the 1980s.

The politico-economic uncertainty that appeared after the Chilean military regime was defeated in the 1988 plebiscite was contained through the broad legitimacy created during the *proceso de amarre* and the reforms carried out under it. The center of gravity in Chilean politics, and thus of the country's politico-economic process, had become strongly institutionalized. Stable, negotiated political institutions in Chile provided relative certainty to political and economic actors regarding the future status quo by narrowing the character and range of politico-economic decisions that could be legislated and implemented in the "restricted" democratic order. So with respect to a moderate evolution of politico-economic activity in the country, this relative certainty fueled domestic as well as international confidence in the Chilean future. Politico-economic success became self-fulfilling.

Notwithstanding this positive perspective, it should be kept in mind that a

permanent tension exists between politico-economic synergies and antagonisms. Even though they were submerged, potentially relevant politico-economic antagonisms were not eliminated in Chile—and indeed could not have been. For the most part the antagonisms lay dormant throughout the 1990s, but they also "irrupted" at critical moments, and the young, constrained democratic regime had to handle them accordingly. In the next chapter I analyze the way that Mexico's PRI regime contained the politico-economic antagonisms sparked after the 1982 collapse but also laid the foundations for economic and political liberalization for the 1990s.

Mexico's Lost Decade, 1982–1988

From Economic Debacle to the Fracture of the PRI Regime

The crisis of 1982 ended a four-decade run in which the PRI presided over political and economic success in Mexico. The arrangements responsible for this success were state-led economic development under ISI and the hegemonic party regime. The 1982 crisis did away with the former and seriously damaged the latter. Like Chile, Mexico plunged into its worst economic crisis since the 1930s. Financial and economic collapse dealt the Mexican regime's legitimacy and prestige a great blow. Similar to Chile, broad opposition to the Mexican regime became active through social mobilization and political protest. The crisis crystallized politico-economic antagonisms, similar to but stronger than in 1976, which President Miguel de la Madrid's government (1982–88) devoted much of its time to containing.

De la Madrid's government represented the end of a political and economic certainty in Mexico that had lasted so long that Mexicans took it for granted. In the six years between 1983 and 1988, the country's GDP grew only 0.2 percent, annual inflation averaged 86.7 percent, nominal interest rates averaged 68.7 percent, and real wages contracted 40 percent. Worsening economic and social conditions in Mexico in this period sparked political protests around the country.[1] But the strong institutionalization and stability of the Mexican state, as in Chile but not as in Argentina, Bolivia, Ecuador, and Peru allowed the government to contain politico-economic antagonisms and remain in control while stretching out the timetable for managing successive phases of the post-1982 crisis.

Despite the Mexican regime's weakening and loss of prestige and despite the activation of political opposition to the PRI during De la Madrid's presidency, the regime resisted and contained politico-economic antagonisms. As in Chile, the Mexican regime persisted and survived the crisis-ridden 1980s. I argue here that

this was possible because of the institutionalization of their respective authoritarian regimes. Both regimes nonetheless paid high political costs for their survival. After the 1988 plebiscite in Chile, the military regime was able to sustain the politico-economic architecture enshrined in the 1980 constitution, but at the cost of Pinochet stepping down, the return of civilians to power, and the return of parties and elections to Chilean politics.

In Mexico, the adoption of neoliberal restructuring after 1985 and De la Madrid's choice of a neoliberal-oriented PRI presidential candidate in 1988 secured this new politico-economic project, but at the cost of the fracture of the PRI. Furthermore, after the fracture of the hegemonic party and the 1988 elections, the governments of Presidents Carlos Salinas de Gortari (1988–94) and Ernesto Zedillo (1994–2000) had to negotiate with the opposition successive politico-electoral reforms that furthered the political competitiveness of the Mexican party system. In the year 2000, this process culminated with a change in the governing party for the first time in seventy-one years.

The years 1982 and 1988 were turning points for Mexico's and Chile's contemporaneous dual transitions. The 1982 economic crisis sparked social mobilization and political protests against both regimes, and the calls in favor of democratization in both countries grew. Even though both regimes resisted and contained politico-economic antagonisms during the crisis years, both were punished in the ballot box in 1988. As a consequence, the era of the PRI's uncontested hegemony ceased that year. In Chile, the military government had to negotiate its withdrawal and step down between 1988 and 1990. Likewise, liberalization and the construction of market-oriented economic orders persisted in both countries after 1988. In Mexico the next two governments—both headed by presidents who emanated from the PRI—were committed to restructuring the economy along neoliberal lines. In Chile, the first two post-military governments—headed by presidents who emanated from the Concertación—did not reject but rather embraced and worked with the neoliberal economic order created by the military regime. Economic and political liberalization thus reinforced each other and helped to shape comparatively successful processes of dual transition after 1988 in both Mexico and Chile.

This outcome was not preordained. In the same period, other countries of Latin America such as Argentina, Brazil, and Peru faced strong antagonisms between political democratization and economic liberalization.[2] Argentina became a "delegative democracy" in which President Carlos Menem implemented a neoliberal revolution through rule by executive decree. In Brazil, President Fernando Collor's attempt to implement economic liberalization amidst a corruption

scandal led to the fall of his government and his impeachment by Congress. In Peru, President Alberto Fujimori executed an *autogolpe* (a coup against his own democratic regime) that suppressed democracy, and he ushered in a neoliberal revolution under authoritarian rule. Mexico and Chile were thus the exception, not the rule.

Fighting for Survival, 1982–85

Economic and political conflict dominated the years immediately after the 1982 crisis in Mexico. Miguel de la Madrid's government tried to preserve the PRI regime amidst the end of the oil boom and the onset of the external debt crisis.[3] Mexico had not had to handle a prolonged economic crisis since the 1930s. The government had to move quickly early on to moderate conflict in the economic and political spheres.

The military regime in Chile also faced the rise of intense politico-economic conflict after the 1982 crisis. The strategies of both regimes shared key similarities that help to understand the way that the dual transitions in both countries started converging after the 1982 debacle. In both countries, the government tried first to avoid orthodox economic adjustment, because such an adjustment would only inflame more social mobilization and political protest.

President De la Madrid's government enhanced the state's control of crisis management in the economic sphere through a constitutionally mandated national system of planning (Articles 25 and 26). De la Madrid also made sure that his close circle was cohesive politically as well as ideologically so that it would not succumb to the internal disputes that had marred the economic cabinets of presidents Echeverría and López Portillo. The new government also tried desperately to bridge the breach that had opened up between the regime and the Mexican business elite after the 1982 bank nationalization.

The economic and political strategies of the Mexican and the Chilean regimes converged through crisis management after 1982. The protests against economic mismanagement in both countries were accompanied by calls for political democratization. Pinochet and De la Madrid responded to these calls through symbolic and rhetorical measures that suggested *aperturas,* political liberalization. In Chile, Pinochet appointed Jarpa, who supposedly would negotiate with the more tractable leaders of the opposition, but that never came to pass. In Mexico, De la Madrid tried to strengthen the revolutionary regime's credibility and legitimacy by committing himself verbally to political democratization through free and fair

elections. In both cases, these were mere gestures to reinforce the credibility and the strength of their respective regimes at a time of prolonged economic crisis; neither was serious about political liberalization and democratization.

Containing Politico-Economic Conflict through Corporatism

The crisis of 1982 weakened the legitimacy and the stability of the PRI regime in Mexico in the same way that it weakened the military regime's prestige and credibility in Chile. In Mexico, López Portillo's government had ended in crisis like his predecessor's, but even more so. As a result, the traditionally strong PRI regime was weakened, and this situation created the potential for a crisis of governability. Domestic as well as international opinion perceived that the country's long-lasting political and economic stability had come to an end. The country "was experiencing the deepest crisis in its contemporary history."[4] The danger and uncertainty that engulfed the beginning of this period was echoed by President De la Madrid himself in his inaugural speech: "We will not abandon ourselves to inertia. The current situation is intolerable. We will not allow our motherland to crumble in our own hands. We will act firmly and decisively."[5] The president then enunciated his government's plan to tackle Mexico's economic and political crisis. It envisaged the government's active involvement in statecraft, that is, the promotion of desirable economic and political outcomes through the reform of the state's legal order and its apparatus. It comprised seven points: (1) revolutionary nationalism, (2) full democratization, (3) equality of opportunity, (4) moral renovation, (5) decentralization, (6) development, employment, and inflation control, and (7) democratic planning. The plan's objectives included elements from the traditional and weakened politico-economic order, such as revolutionary nationalism, and also elements from the ideal of modernization, such as full democratization.

Given the inclusion of such disparate ideals, the plan was internally inconsistent. The president and the members of his close political circle believed that the Mexican politico-economic order could be "modernized" and that its lost strength and stability could be "restored" at the same time. This Janus-like strategy had plenty of contradictions.[6] On the one hand, modernizing the economy meant dismantling the ISI model, which had flourished under high state protection and intervention. Likewise, modernizing the political system meant liberalizing the political sphere from the monopoly control exercised by the hegemonic party. On the other hand, restoring the strength and stability of the country's traditional

politico-economic system implied the preservation of the relatively closed economic and political spheres and, consequently, the rejection of anything beyond a narrow degree of economic and political liberalization. Indeed, if implemented, economic and political liberalization would open up both the oligopolized economic (a few big business groups and state monopolies) and political (the hegemonic PRI) spheres. This would evidently affect not only Mexican society in general but also the country's small and powerful politico-economic class. It meant combating and defeating powerful economic as well as political vested interests, not least those of the government and the PRI regime.

In the economic sphere, De la Madrid reformed Articles 25–29 of the Mexican constitution to empower the state as the economy's rector and planner. This "democratic planning" objective aimed at strengthening the state's capacity to manage the economy by creating the Sistema Nacional de Planeación Democrática. The 1976 and 1982 crises were clear indications that the Mexican state could not manage capital and labor unrest during times of economic crisis. De la Madrid's government tried to strengthen the state's economic capacity of coordination and control by reforming the constitution in a direction that not even the reformist president Lázaro Cárdenas had done in the 1930s. In effect, the reform elevated to the constitutional level the corporatization of the national economy through the state's new power as rector. It also defined the "social sector" of the economy, which included trade unions, *ejidos,* and cooperative enterprises, at the same legal level as the "public sector" and the "private sector."[7] The government's aim was to restore the state's capacity to manage the 1982 economic crisis through state corporatism.

Underlying De la Madrid's reform of the state was the perception that the 1982 economic debacle had severely weakened the traditionally strong Mexican regime. Nowhere was this fact more visible than in the weakening of presidentialism, traditionally the central and strongest element in the Mexican revolutionary regime. By 1984, analysts like Rafael Segovia were worrying that social mobilization and political opposition constituted an "assault on authority" that could lead to the "South Americanization of Mexico."[8] De la Madrid was perceived as a weak president, and the state was seen as floundering under the economic crisis. Enhancing the state's legal capacity of planning and general economic coordination was part of the strategy to contain the rise of politico-economic conflict after 1982.[9] Another key part of De la Madrid's government to contain politico-economic conflict was the ideological and political cohesion of his close political circle.

A Cohesive Group in Power

Of particular relevance inside the regime was the ideological and political conflict between the leaders of the PRI who supported left-leaning, state-led nationalism and those who supported right-leaning, free market–led internationalism. This conflict manifested itself dramatically in the confrontation between members of the economic cabinets of presidents Echeverría and López Portillo. De la Madrid's government started implementing neoliberal restructuring in 1985.[10] The nationalists, including the trade unions' bureaucracies, the PRI's bureaucracy, the domestic-oriented industrialists and merchants, top members of the party elite, academics and intellectuals of the left, and many of the activated popular urban organizations, rejected the discourse of neoliberalism. Instead, they championed the restoration of revolutionary nationalism, nested in the 1917 constitution and its social rights, and in the corporatist state apparatus led by the incumbent president and by the hegemonic PRI.[11]

Even before De la Madrid became president on December 1, 1982, during his electoral campaign he placed his close circle of political and economic advisers in leadership positions in the PRI. If the new group was to control the regime, it had to control both the federal government and the PRI. Once he became president, De la Madrid appointed his close circle, mainly composed of young technocrats who had held top positions in the Central Bank (Banco de México), SHCP, and SPP. He appointed them not only to economic related ministries and agencies, but also throughout the public administration.[12]

Over time, members of the cabinet who dissented with the president and his close circle's economic policy views were forced to resign. The most significant of these events was the conflict between the *Secretario de Hacienda,* Jesús Silva Herzog, and the *Secretario de Programación y Presupuesto,* Carlos Salinas de Gortari, in 1986. Silva opposed the ascendancy of Salinas in economic policy management, particularly after 1985, when the head-to-head conflict exploded between those who favored joining a debtor cartel with Argentina and Brazil, as Silva Herzog did, and those who wanted Mexico to negotiate on its own with the United States to maximize the country's chances of receiving preferential treatment, as Salinas wanted. President De la Madrid favored this policy line, asked for Silva Herzog's resignation, and in due course the Americans agreed to ease conditions for servicing Mexico's external debt obligations. This was perceived as the final triumph of the young technocratic group under Salinas's leadership.[13] The group led by Salinas was cohesive. Its members shared similar postgraduate education

in American universities, a homogeneous economic ideology, and professional careers in Banco de México, SHCP, and SPP.[14]

Apart from enhancing the regime's control of the economy and bringing together a cohesive cabinet, De la Madrid and his advisers thought that the government's economic policy priority was to attract financial resources. The government faced very high financial requirements to pay the interest on the external debt and to address the high economic and social development needs of the country. To be able to do this, the government had to restore the confidence that private capital had lost after 1982.

Closing the Breach between the State and Capital; Opening a Breach between the State and Labor

The crisis of 1982 sparked politico-economic conflict among organized interests and the state. This could be seen in the antagonism between the state and the business elite after the 1982 bank nationalization and in the estrangement between De la Madrid's technocratic government and the leaders of the PRI's traditional sectors.[15] Appeasing both sectors meant invoking and implementing conflicting economic measures. The business elite demanded less state intervention and the maintenance of property rights, while the PRI labor barons demanded more state intervention and more aggressive use of the nationalized sectors of the economy.[16]

Half a decade of economic crisis strained and weakened the traditional alliance between the government and the worker, peasant, and popular sectors of the PRI, respectively. Arranged on a clientelistic basis, this relationship soured under the scarcity of resources that the government confronted after 1982. The estrangement between De la Madrid's circle and the leaders of some of the most powerful PRI unions such as the oil and the electricity workers grew steadily.[17] Given the corporatist link between the Mexican government and the PRI's sectors and the mass support that the latter provided to the former, De la Madrid's government faced potentially contradictory strategies to restore the regime's prestige and credibility after the 1982 crisis. To restore these, the government had to produce, at one and the same time, economic modernization and a restoration of the PRI regime's political hegemony. These objectives were incompatible because the social costs of opening the economy would inevitably ignite political opposition, which would hinder the project of retaining PRI hegemony. This conflict eventually led to the fracture of the PRI in 1987–88, thus enabling Mexico's dual transition.

In the years immediately after the 1982 collapse, the Mexican private sector kept its distance from the government exactly when the state was desperate for hard currency. De la Madrid's government identified as one of its basic economic aims to attract private capital—domestic as well as international—to meet external debt obligations and to try to overcome the economic crisis. To do this, the government tried to restore the regime's credibility. It engaged in a process of partial privatization by issuing to the private sector 34 percent of the nationalized banks' stocks. The government also proceeded with compensation to former bankers. But the most important concession from the new government to the private sector was granting it access to the nonbanking financial mediation sector by allowing it to run equity investment, currency exchange, funds, and insurance services.[18] This move was to have fundamental politico-economic consequences not unlike the rise of *conglomerados* in Chile in the mid- and late 1970s.

The rise of private finance during a decade of industrial decay produced an entrepreneurial renewal in Mexico. The old, well-established industrial entrepreneurs languished, and young businessmen connected to the financial sector built big financial-industrial groups.[19] After 1985, this younger group backed the implementation of the neoliberal model by supporting, both rhetorically and financially, the rising technocratic group, which was also concentrated in finance and was outward-oriented, within De la Madrid's government.[20] The renewal of businessmen and of neoliberal-oriented bureaucrats was clearly a result of the crisis of state capacity in Mexico after 1982, as the government's increasing dependence on private capital strengthened the views of both groups.

The main loser of the government's economic strategy to court and attract private resources was organized labor. The De la Madrid government's labor policies were tough—one of their key objectives was to use wages as the anchor to control inflation during the post-1982 economic stabilization period. The government did not vacillate about promoting measures to weaken labor. Between 1983 and 1984, it weakened the CTM by incorporating voices from rival union confederations to the negotiation of labor contracts. It also diffused labor's strength by promoting wage negotiations at the workshop level instead of at the industrial level. These measures weakened the big national confederations, particularly the PRI's CTM. The prolonged economic crisis severely weakened workers' bargaining capacity. From 1983 onward, workers' leaders were put on the defensive. They set aside general criticism about the anti-popular bias of economic stabilization and adjustment and simply sought the preservation of employment.[21]

For the government, this was a double-edged strategy. On the one hand, it helped to bridge the breach with private business and to use the support of

outward-oriented entrepreneurs to promote economic liberalization and neoliberal restructuring after 1985. On the other hand, it created strains between De la Madrid's government and organized labor in the PRI. Given that this was the party's best-organized and largest political client, it was not surprising that the PRI suffered its worst electoral result ever in 1988. That year, a revolutionary nationalist leader defected from the PRI to contest the presidential elections, taking with him a portion of the party's base. It was difficult to see how the PRI would have been able to keep both capital and labor happy during a prolonged economic crisis and the government's eventual commitment to restructuring the economy along neoliberal lines.

Verbal Commitment to Political Democratization

In the political sphere, De la Madrid's government tried to restore the regime's credibility and to strengthen its legitimacy by committing itself to eventual democratization. The post-1982 economic and political crisis produced strong pressures by civil society and by forces within the regime to break the political monopoly enjoyed by the PRI.[22] De la Madrid's inclusion of full democratization as one of his government's key objectives was his response to these pressures, an attempt to restore the regime's credibility and its legitimacy by putting it in charge of the democratization impetus. Admitting that there was a need to work toward full democracy also implied an official recognition by the PRI's natural leader, the president of Mexico, of the limited character of political democracy in the country. The political dimension of Mexico's dual transition was thus activated.

The economic crisis after 1982 had important political consequences. Between 1982 and 1988, both the spheres of civil society participation and electoral politics were activated, a significant change in a political culture characterized more by "alienation and aspiration" than by civic-electoral engagement.[23] The antiauthoritarian social mobilization that accompanied the end of the López Portillo government was followed by unprecedentedly wide electoral mobilization against the PRI. The mobilization of vocal social movements helped to redefine the traditionally vertical and paternalistic relationship between state and society.[24] Likewise, society's electoral pressure brought elections to the forefront of Mexican politics, even though they had been perceived more or less as a predictable ritual of endorsement of political authority by the hegemonic party. The interaction of these pressures from below and the negotiation between the leaders of the PRI and of the opposition after 1988 shaped the opening of the political system and the slow demise of the hegemonic party.

Once socioeconomic opportunities vanished, the middle sectors of Mexican society, long accustomed to getting by through uninterrupted state clientelism and patronage, suffered collective disenchantment and organized to protest.[25] This period of social and political activism was different than the political mobilization and protest of the late 1960s and early 1970s. Whereas the earlier protests were concentrated in politicized groups such as students, radicalized workers, and peasant organizations on one side and the business elite on the other, from the early 1980s onward protests became more diffused and widespread throughout all groups in society. Many entrepreneurs decided to affiliate or support the PAN financially. The middle classes formed groups whose objectives were as diverse as charity, the fight against corruption in the government, and observation of electoral processes.[26]

De la Madrid's commitment to "full democratization" in Mexico was an attempt to restore the credibility and legitimacy of the regime after the 1982 debacle. In effect, it was an attempt to shore up the traditionally strong performance legitimacy, which the regime had delivered between 1940 and 1970, but which had fallen into disrepute with the advent of the economic crises of 1976 and 1982. Instead, the new political strategy was to strengthen the democratic legitimacy of the regime, which, although sanctioned legally in the 1917 constitution, had thus far not been allowed to operate in practice.

Indeed, the Mexican regime possessed at one and the same time basic democratic institutions and authoritarian politics. The De la Madrid government's aim was to voice the creation of a new type of legitimacy by gradually relying more on democratic legitimacy and less on performance legitimacy.[27] Given performance legitimacy's dependence on the evolution of the economy and the increasingly turbulent and uncertain performance of the Mexican economy since the early 1970s, De la Madrid and his close collaborators wanted the regime's stability to rest on firmer grounds. In practice this meant that the regime's stability had to reside in an area over which the government had more control. And this had been the case with respect to the party and the electoral systems since the forging of the hegemonic party system in the 1930s. Or so they thought. The political strategy to enhance the credibility of the Mexican regime presupposed that no other political force would come remotely close to the PRI's traditional huge majority support in electoral contests. But when the right-wing opposition, the PAN, showed strong electoral results in northern states starting in 1983, President De la Madrid faced the uncomfortable choice between allowing free elections and losing the PRI's political hegemony or preserving such hegemony at the cost of publicly suppressing free elections. He chose the latter.

The Adoption of Neoliberalism and Political Dissent, 1985–87

Similar to Chile, where the failure of gradual economic stabilization and adjustment between 1973 and 1975 led to the implementation of orthodox stabilization and neoliberal restructuring, the Mexican government confronted this dilemma in June 1985. Mexico suffered a balance-of-payments crisis, and the IMF put its credit line on standby because the Mexican government had been unable to reach the IMF's annual fiscal adjustment target to disburse fresh resources. Unable to meet its external financial obligations, De la Madrid switched his government's crisis management strategy and initiated the implementation of neoliberalism.[28]

In 1985, the Mexican government adopted and the Chilean government readopted neoliberalism—but for opposite reasons. The Chilean government readopted it with Pinochet's appointment of Büchi, but only after the massive politico-economic protests had died down and there were signs that the economy was picking up. The Mexican government adopted it after gradual adjustment had failed and the economy had spiraled into recession. Deepening crisis in Mexico—particularly in 1985–86—contrasted with sustained Chilean recovery after 1985. The persistence of economic crisis in Mexico sapped support for the PRI at the same time that economic recovery in Chile added support for the military regime in the runup to 1988, a year of popular votes in both countries.[29] In Mexico, the weakened PRI regime and its new economic strategy faced antagonisms from organized economic interests, an empowered PAN, and burgeoning civil society groups that came together to cope with the economic crisis. Furthermore, relations between the Mexican and the U.S. governments were tense. It was only after the Mexican economy's weakness was perceived as potentially damaging to the United States in 1986–87 that Washington changed its foreign policy and designed an international plan to help to reactivate the Mexican economy and prevent a new end-of-*sexenio* politico-economic crisis.

New Crisis and the Adoption of Neoliberalism

Amidst the 1985 balance-of-payments crisis, the Mexican government switched its crisis management strategy and adopted economic liberalization. The first stage included trade liberalization, whereby Mexico finally joined the General Agreement on Tariffs and Trade (GATT), and the first wave of privatization. Joining GATT locked in a system of international rules and standards that exposed Mexican products to competition. Privatization was meant to free the public

sector from inefficient economic activity and to strengthen the state's fiscal position. These measures were also implemented to try to restore the confidence of international organizations and private investors in the Mexican economy at a critical point in the country's external debt crisis.[30] The change of economic policy strategy had serious long-term implications. Embracing structural change along neoliberal lines meant transforming the ISI model of economic development to an export-oriented one. This meant transforming the interventionism and expansionism of the Mexican state, particularly between 1970 and 1982, into a liberal-oriented one.[31] Politically, it meant redefining the role of the PRI regime as provider of economic and social advancement throughout the country. The economic policy switch was thus much more than a technical change of crisis management strategy. It was a fundamental politico-ideological shift by the incumbent leadership of the revolutionary regime that produced increasing politico-economic conflict among the beneficiaries of the exhausted state-led model of economic development.

Nowhere was this conflict more entrenched than in the organic relationship between a government, with its new discourse of "modernizing" the country through economic liberalization, and its social bases in the PRI, which demanded the restoration of the past populist politico-economic order.[32] A relationship that had furthered social peace and consequently contributed to economic prosperity between the 1940s and the 1970s produced politico-economic conflict in the 1980s. "In the new presidential logic [post-1985] the PRI was no longer the solution but the cause of the [economic] problem."[33] The conflict between De la Madrid's government and the PRI corporatist sectors contributed to weaken state capacity. From the perspective of dual transitions, the conflict spilled over from the realm of economic relations into the political arena: powerful sectors within the PRI started demanding the end of power concentration in the presidential office. This call was echoed by the predominantly urban, middle-class sectors of Mexican society, which discovered elections as a way of protesting the political hegemony not only of the Mexican presidency but also of the political apparatus that guaranteed this, namely, the PRI.[34]

At the core of the PRI, the official labor movement protested the adoption of economic liberalization. The labor leaders publicly renewed their allegiance to the Mexican Revolution in what they perceived to be the De la Madrid government's betrayal of the historical alliance between the revolutionary regime and the organized labor movement. They declared that "if the Revolution has suffered recent deviations through incapacity, disloyalty or dishonesty, the working class is united and believes today more than ever in it."[35] But the labor leaders were in no

position to issue credible threats. With the rise of unemployment and inflation after 1982 and a bulging industrial reserve army, the government was not intimidated and did not change the economic policy. Still, in 1985 the official labor leaders dared to voice their official rejection of "economic instructions formulated in international organizations instead of articulated through the deliberation of [Mexican] society."[36]

The adoption of economic liberalization also caught by surprise the Mexican private business elite. Despite De la Madrid's permanent attempt to further a rapprochement in government-private sector relations, business leaders did not express public support for the government's new liberal economic policy.[37] The more vocal sectors of private business remained suspicious and publicly criticized the corporatization of the Mexican economy under the new national planning system. The creation of the national planning system and the constitutional recognition of the social sector of the economy produced an ideological conflict with the CCE's declared economic liberalism. Distrust of De la Madrid's intended economic policy goals also persisted given his refusal to consider the reprivatization of the Mexican banking system.[38]

Moreover, neoliberal restructuring from mid-1985 split the private sector in terms of costs and benefits. As in Chile and other Latin American countries that underwent neoliberal restructuring, the new economic model benefited the financial and some of the big export-oriented industrial sectors while it impaired—in most instances destroyed—the domestic-oriented small and medium business sectors.[39] The decision of the top private businesses to remain distanced from De la Madrid's government contributed to make the adoption of neoliberalism in 1985 a politico-economic decision guaranteed to create conflict. The government was unable to get public support even from the business elite sectors that stood to gain from the new economic policy course. In addition, it created increasing dissatisfaction at the heart of the revolutionary regime through the labor leaders' repeated protests over the "betrayal" of the Mexican Revolution. Moreover, by 1985, dissidence and opposition had also spread to the electoral arena and to civil society in general.

The Rise of Political and Electoral Dissent

The post-1982 antiauthoritarian protest fueled the electoral realm in a way that the government and the PRI leadership did not expect. President De la Madrid's explicit formulation about his commitment to full democracy had been taken very seriously—to the consternation of PRI supporters. The magnitude and the speed

of opposition electoral victories were regarded as "a cataclysm."[40] Electoral victories by the opposition hardened the government and the PRI's view about limits to political liberalization. The PRI grudgingly recognized PAN municipal electoral victories in the northern states of Durango and Chihuahua in 1983. By the midterm legislative elections of 1985, significant losses for the PRI were expected before the elections.[41] The government refused to recognize seats won by the PAN in these elections on the grounds that it was dangerous to allow the right to govern in states that bordered the United States. Even more controversial, in the 1986 governor elections in Chihuahua, the PRI took them fraudulently in the face of a strong PAN candidate.[42] These events had a particularly negative impact in the international media. The *New York Times* declared that Mexico was "still a one party regime." *The Economist* declared that "all and many elections in Mexico are fraudulent."[43] International media started paying attention and criticizing the lack of electoral democracy in the country.

From the perspective of restoring the regime's legitimacy, De la Madrid's inaugural commitment to "full democratization" backfired. Confronted with rising opposition, particularly from the PAN in northern states, the government and the PRI refused to recognize opposition electoral victories, thereby undermining not only the government but also the regime's credibility. This conflict strengthened the image of Mexico as a one-party authoritarian regime, both domestically and abroad. Even more important, it focused the organization of civil society and opposition parties' protests on the issue of furthering democratization through the defense of free and fair elections, a political right spelt out in the constitution but never enforced by the PRI regime.[44]

Opposition parties and civil movements in favor of electoral democracy gathered strength from a rise in their membership, which came particularly from influential groups of Mexican society such as regional business communities and the urban middle classes.[45] From the mid-1980s onward, Mexican society protested incessantly for electoral reforms that would guarantee a more level playing field.[46] Calls for democratization from civil society were also furthered by powerful and traditional institutions such as the Catholic Church. Members of the hierarchy suggested in the early 1980s that the Mexican Church should follow the example of the Church in Poland, which had become a strong force in organizing civil society against the discredited, illegitimate Communist state.[47] The Archbishop of Mexico, Ernesto Corripio, also declared that the Church should abandon the juridical chains in which the Mexican political order had placed it and should denounce with energy abuses of authority by the government.[48]

The "discovery" of the electoral arena by influential groups in Mexican society

including business communities, the middle classes, and the Catholic Church was not just an expression of their disenchantment over the prolonged economic crisis, it was first and foremost a means to express widespread rejection of the closed, non-competitive political process and the PRI's inflexible hegemonic vocation. Thus, the political and the economic spheres became linked, interacting to reinforce the pressures in favor of a dual transition in Mexico through economic liberalization and the guarantee of the basic political rights of liberal democracy.

The urban popular sectors also organized themselves independently from the PRI. Of particular relevance in activating the new social solidarity networks were the devastating earthquakes that rocked and destroyed central parts of Mexico City in September 1985. Confronted by the paralysis and the incompetence of the capital city's government in conducting the rescue operations, thousands of the city's inhabitants organized and courageously led these efforts instead. Another instance of popular organization was the National University student movement in 1986–87. This was the second-largest university student movement in Mexico City since 1968, and memories of that bloodbath remained fresh.[49] A famous chronicler called this the "birth of civil society."[50] Of special importance was the persistence of these social solidarity networks once the earthquake rescue operations came to an end. Thousands of earthquake victims and of those who were involved in the rescue operations created permanent organizations like the Asamblea de Barrios, which became powerful pressure groups in Mexico City politics starting in the late 1980s. These popular organizations contributed to forging the electoral dominance of the left-wing Partido de la Revolución Democrática (PRD) in Mexico City since its birth in 1989.[51] Independent social and political participation thus challenged the corporatist, noncompetitive PRI regime both from above—economic elites and the middle classes—and from below—popular organizations and new popular urban movements.

These pressures, from above and below, found a promising political space in the process of political liberalization dating back to López Portillo's 1977 electoral reform. The rise of civil society in the early 1980s in Mexico was very important in the democratic transition process.[52] This process of steady politicization in Mexico was similar to the process of re-politicization that happened in Chile in the years after the 1982 crisis. In both countries, the opposition organized effectively through the creation in Mexico and the revival in Chile of a lively and plural party system. Mexican and Chilean societies channeled their political discontent against their respective regimes, and in 1988 both regimes suffered bitter sur-

prises. Was channeling political activity through a strongly institutionalized party system inevitable? No. In fact, in several other Latin American countries in the late 1980s, such as Argentina, Brazil, Peru, Venezuela, and Colombia, party systems were weakening and becoming less and less effective vehicles to sustain their politico-economic orders. Instead, populists like Fujimori in Peru and charismatic leaders like Hugo Chávez in Venezuela suppressed party politics and created new political regimes that concentrated political power in their person.[53] In Colombia, the party system, dominated by the patrician liberal and conservative parties, was unable to represent popular aspirations as political activity spilled over to the realms of guerrilla movements and drug-trafficking cartels.[54] Thus, more structured and less unpredictable processes of political liberalization in mid- and late 1980s Mexico and Chile contributed to their comparatively successful dual transitions. The other important source of politico-economic synergies and antagonisms that Mexico and Chile had in common in this period was a contradictory relationship with the United States government.

Contradictory Relations with the United States

The U.S. government's policy toward the Mexican and the Chilean governments exhibited a Janus-like quality between 1985 and 1988. Washington praised both regimes for being model international debtors that met their obligations punctually and for implementing free market reforms. But the American government also criticized the authoritarian politics of both countries.[55] The American government's schizophrenic economic praise and political condemnation of the Mexican and the Chilean regimes was an important influence that pushed the dual transitions of both countries in the right direction.[56] This was in contrast to cases where the American government was concerned about and in some cases officially opposed to democratically elected presidents, like Alan García in Peru. García declared a moratorium on interest payments of Peru's external debt and opposed economic restructuring along free market–oriented lines.[57]

The relations between the Mexican and the American governments in the 1985–88 period were marked by mounting tensions in the political sphere alongside praise and encouragement in the economic sphere.[58] On the one hand, the topics of Mexican foreign policy toward Central America, the rise of powerful Mexican drug-trafficking cartels, and the manipulation of elections by the government to ensure PRI victories constituted permanent areas of criticism from the Reagan administration. On the other hand, the U.S. government applauded

and supported the Mexican government's economic stabilization and adjustment strategies, in particular that Mexico did not join a debtors' cartel in Reagan's second term.

The U.S. government resented Mexico's active role in the Contadora Group, which tried to find a diplomatic solution to U.S. military intervention in Nicaragua and El Salvador.[59] Tensions in the bilateral political agenda exploded in 1985 after a DEA agent named Enrique Camarena was tortured and murdered in Mexico by the leader of a powerful drug-trafficking cartel. That year also witnessed the midterm elections in Mexico, which were plagued by fraud and irregularities. The U.S. government and media covered both events in great detail. This created an international campaign of public discredit for Mexico, in particular for its government.[60] At the same time, Mexico underwent a balance-of-payments crisis in June 1985 and then three months later was the victim of the terrible earthquakes. By early 1986, there was a perception inside the U.S. government that pressuring Mexico to comply with American foreign policy objectives might backfire.

This new crisis was magnified in 1986 with the collapse of international oil prices. At the time, the international media highlighted the dangers that the Mexican crisis posed to the international financial community: "Mexico will stop paying its debt obligations sooner or later."[61] If this happened, it might well spark a debt default contagion that would spread to other big Latin American economies, such as Brazil and Argentina. President Reagan was forced to declare that "policy toward Mexico has become confused" and would have to change shortly.[62] Reagan recalled his hard-line U.S. ambassador in Mexico, John Gavin, and appointed Charles J. Pilliod, a moderate diplomat. Reagan and De la Madrid then held an official meeting in August 1986 to restore the "special relationship" between the two countries. The U.S. government then adopted a "grow-to-pay" policy. James Baker, head of the U.S. Treasury, promoted new agreements between Mexico and its creditors, including international financial institutions (IMF, World Bank), national governments, and private banks. The change in U.S. foreign policy did not go unnoticed in Mexico. In particular, shrewd analysts pointed out that such change had come about as a result of Mexico's internal weakness. Mexican political and economic weakness might trigger mass illegal immigration, empower the drug cartels, and place a more anti-American government in power. In effect, "Mexico's problems might well end up becoming a threat to United States national security."[63]

Two other developments in U.S. politics also helped to moderate its policy toward Mexico after 1986. On the one hand, the Democrats took the upper hand

in the Congress midterm elections of November 1986. These electoral results led to important changes in key committees and subcommittees in Congress. The Mexican presidency, for example, perceived that the replacement of such hardliners like Senator Jesse Helms, chairman of the Subcommittee of Western Hemisphere Affairs and a great critic of Mexican politics, by the more moderate Christopher Dodd, would soften Congress' attitude toward Latin America, and particularly toward Mexico. On the other hand, toward the end of 1986, the Irangate scandal broke. This crisis inside Reagan's national security apparatus involved top officials who were identified with the hard line toward Mexico. According to an analysis undertaken for President De la Madrid, "the magnitude of this political crisis diverted the [American media's] attention from Mexico's problems and their negative consequences for the United States." Moreover, "the American government lost any moral authority to evaluate Mexico's policy in Central America, in particular its diplomatic efforts through Contadora." In the last instance, after Irangate, the Mexican presidency perceived that "the anti-Mexican campaign that had been orchestrated by the more conservative American sectors ceased." Not only did the attacks against Mexico cease, but there also appeared to be positive support from the U.S. government, so recently a critic. President Reagan certified Mexico's active cooperation in the war against drugs in January 1987. The American media also commented positively throughout 1987 (until the October-November financial crisis) on the prospects of the Mexican economy.[64]

The U.S. government also softened its economic demands on Mexico because of the perception of state weakness and the potential for ungovernability south of the border. In September 1985, after De la Madrid's government switched to the neoliberal model, the U.S. government, in the person of Treasury Secretary James Baker, supported the new strategy of "grow-to-be-able-to-pay" for Mexico's external debt. Mexico's heavy external debt obligations hindered its capacity not only to continue to meet them but also to cover the expenditures of the state's most basic activities.[65] This perception of weakness paradoxically strengthened Mexico's bargaining position vis-à-vis the American government and the international financial community.

By February 1986, Secretary of State George Shultz joined the debate and exhorted the international financial community to help Mexico avoid economic collapse.[66] The chairman of the Federal Reserve Board, Paul Volcker, also exhorted the IMF and the World Bank to commit fresh resources to Mexico. This concerted strategy by different top American government officials soon bore fruit in the guise of the Baker Plan, which sanctioned the new strategy of "grow-to-be-

able-to-pay" allowing Mexico to receive fresh reimbursements of financial assistance and to restructure its debt obligations. The implementation of the new strategy was accelerated after the collapse of international oil prices in 1986 (from $24 per barrel in December 1985 to $8.60 in July 1986, a loss that represented 6.7 percent of Mexico's annual GDP and 48 percent of its export receipts). Faced with a new, harsher recession south of the border, the U.S. government was quick to implement the new strategy. New agreements were reached with the IMF in July 1986, with the World Bank in November 1986, and with foreign private banks in March 1987.[67]

The support of the American government in the wake of a harsh economic recession in Mexico in 1986 and with a presidential election ahead in 1988 was important to strengthening the PRI regime. Of particular importance was the U.S. government's concerted effort to foster the disbursement of fresh financial resources to the Mexican government as well as the restructuring of the country's external debt. The new availability of international resources would eventually be a key to avoiding an end-of-*sexenio* economic crisis in 1988, unlike the debacles of 1976 and 1982.[68] The contribution to improve Mexico's short-term financial position helped to stabilize expectations and moderate social behavior as the presidential elections approached. This helped Mexico avoid an electoral contest amidst economic crisis conditions, as happened in 1989 in Argentina, where President Raúl Alfonsín stepped down six months early amidst spiraling inflation and mass social protests. During this crisis, Carlos Menem assumed the presidency and immediately commenced neoliberal restructuring, which he referred to as the need for major surgery without anesthesia.

In Mexico's case, however, U.S. resources could not quite alleviate the government's problems on the domestic politico-ideological front. The next two years, during which the hegemonic PRI fractured, became a key period in the Mexican process of political democratization. The hegemonic party system, previously uncontested, became actively and fiercely contested from both the left and the right. Time and again, plural party politics pushed the leaders of the PRI to create a more level playing field for party competition in Mexico.

Securing Neoliberalism and the Fracture of the PRI, 1987–88

The 1982 economic crisis engendered common crisis management strategies in Mexico and Chile. In both countries, popular voting in 1988 strengthened the impetus and the institutions that favored political democratization. After the 1988 plebiscite in Chile, the military regime had to step down and to allow the

restoration of civilian-led, competitive politics. In Mexico the left-wing and right-wing opposition fiercely contested the PRI's hegemonic dominance after the 1988 presidential elections. These political outcomes were connected with the consolidation in Chile and the continuation in Mexico of neoliberal-oriented policies. In Chile the Concertación substituted the military in government and presided over a new civilian-led, competitive political regime. At the same time, the Concertación legitimized and took on board the dynamic neoliberal economic order engineered by the Chicago Boys and the *gremialistas*. In Mexico, the PRI was punished in the 1988 presidential elections with the lowest historical support for the party. However, the regime managed to secure an official electoral victory, and the official victor, President Carlos Salinas de Gortari, pledged to bring about a neoliberal revolution in the Mexican economy. Thus, in both countries the politico-economic outcomes of 1988 furthered economic liberalization. These became politico-economic synergies between the establishment of electoral contestation in Mexico and the return of competitive politics in Chile, and the creation in Mexico (and the consolidation in Chile) of a market-oriented economy.

Could outcomes have been different? They were much the opposite in other Latin American countries. Around the same time, Mario Vargas Llosa in Peru, who campaigned in favor of neoliberal restructuring, was defeated. In contrast, presidential candidates who campaigned on economic populism, like Alberto Fujimori in Peru and Carlos Menem in Argentina, won their elections. Once in office and facing the same kind of adverse economic conditions that forced the implementation of economic liberalization in Mexico and Chile, they also embraced the neoliberal agenda. But each did it to the detriment of democracy. Politico-economic antagonisms between presidents elected democratically favoring populist agendas and the need for economic liberalization amidst deepening economic crises weakened the young democratic regimes in both Peru and Argentina.

Eventually, democracy in Peru collapsed after Fujimori executed an *autogolpe de Estado*; in Argentina it was weakened and became a "delegative democracy" in which President Menem carried out a neoliberal revolution through rule by executive decree.[69] Even in countries where presidential candidates who campaigned in favor of economic liberalization were elected, like Fernando Collor de Mello in Brazil, success was not assured. Collor faced intense political and economic opposition to the implementation of neoliberalism. Eventually, after only two years in power and amidst a corruption scandal, the Brazilian Senate threatened Collor with impeachment in 1992 and forced his resignation, his neoliberal project jettisoned along with him. In this case antagonisms between democratic

representation in Congress against neoliberal restructuring and an executive committed to economic liberalization ended up with the fall of the government.[70] In Mexico, an end-of-*sexenio* politico-economic crisis threatened to unravel the revolutionary regime in 1987–88, but the revolutionary regime prevailed and ruled the country for another twelve years. This made it seventy-one years of uninterrupted hegemonic party rule—the longest uninterrupted authoritarian regime in the twentieth century.

*End-of-*Sexenio *Politico-Economic Crisis, Again*

The U.S.-sponsored decision to work toward the reestablishment of international credit lines stimulated the Mexican economy. On September 1, 1987, President De la Madrid delivered his penultimate address to the nation, his most optimistic to date. He noted that "the private sector's confidence has strengthened and the country's savings have finally resumed their growth."[71] Good economic expectations were, however, short-lived. In October 1987, the Mexican stock market collapsed on the heels of Wall Street's brief but spectacular crash. The new crisis endangered the country's politico-economic stability on the eve of another presidential election year. Memories of 1976 and 1982 came to the foreground. Capital flight intensified, the Mexican economy started a process of dollarization similar to 1976 and 1982, and the country experienced macro currency devaluation on November 18.[72] Organized economic interests and the government engaged in a fierce battle. Labor called for an "emergency wage rise or a general strike" after the devaluation. The business elite counterattacked through the CCE by saying that giving in to the workers' demands would be the government's "worst possible mistake."[73] The rise of distributive conflict among organized interests and the state led to strong pressures. The presidency's official chronicle pointed out that the new economic emergency was complicating the political process in the runup to the election. It recorded "that the sudden plummeting of positive expectations about the country's future cast doubts on the economic policy followed by the government."[74]

The government was forced to switch its crisis management strategy. Under the leadership of SPP Secretary Carlos Salinas—selected on October 4, 1987, as De la Madrid's presidential successor—the government contained the crisis through the creation of the Pacto de Solidaridad Económica (PSE). Leaders of the groups representing the PRI workers (Confederación de Trabajadores de México, CTM), peasants (Confederación Nacional Campesina, CNC), and popular sectors

(Confederación Nacional de Organizaciones Populares, CNOP), and the private business elite (Consejo Coordinador Empresarial, CCE) and the government signed the pact. Its basic objectives were to stabilize the economy and combat inflation in the short run. It differed from IMF stabilization and adjustment programs, which basically rely on the liberalization of all prices in the economy. After the 1982 crisis, throughout the Latin American region these stabilization and adjustment programs were implemented time and again in the largest Latin American economies—Brazil, Mexico, and Argentina. By the late 1980s, all had failed and the three economies experienced chronic high inflation.[75] The Mexican stabilization and adjustment program of 1987 under the PSE was not orthodox but heterodox, which meant that rather than allowing the economy to bottom out through the general liberalization of prices, it tried to contain inflation through an incomes policy, that is, through a combination of liberalization and strategic control of key prices in the economy.

The PSE reactivated the traditionally strong politico-economic corporatist Mexican order. The result was effective politico-economic coordination among the government, capital, and labor that made the anti-inflationary strategy of the price controls highly successful in the short term.[76] This was in great contrast to Argentina and Brazil, which had to wait until the 1990s to bring inflation under control.[77] Several close collaborators of Secretary Salinas helped to design the PSE. They were convinced that the government's top priority on the eve of a presidential election year—in which Salinas was the PRI's candidate—was to control the inertial inflation produced by the politico-economic conflict between organized economic interests.[78]

The PSE's short-term success in controlling inflation strengthened state capacity in Mexico and helped De la Madrid's government avoid an end-of-*sexenio* economic crisis, like his two predecessors.[79] A top adviser to incoming president Salinas commented that "during a process of such radical transitions and changes the inter-temporal continuity of public policy was as important as the conceptual solidity of the economic program."[80] This analysis identified the possibility of extending the PSE's management style as a key to the continuity of neoliberal policies in the presidential succession between De la Madrid and Salinas.

Short-term success in crisis management also restored the government's economic management credibility. This was of crucial importance on the eve of the 1988 presidential election, particularly given the poor crisis management capacity of Echeverría in 1976 and López Portillo in 1982. The PSE also helped the government to implement the neoliberal model. Given its short-term success in contain-

ing the distributive conflict, Salinas and his close circle extended it, and it operated regularly between 1987 and the end of 1994.[81] The revival of state corporatism and the launch of the neoliberal model were to go hand in hand in Mexico.

But the PSE also fueled politico-economic antagonisms because it was signed on the eve of a presidential election year. Negotiations had favored the private sector's strong bargaining position and their neoliberal policy preference to stabilize the economy through the containment of wages, as De la Madrid had advocated. CONCANACO, a Mexican peak commerce organization, declared that the PSE's conditions were "close to the private sector's ideal policies."[82] Several months later, Agustín Legorreta, one of the leaders of the CCE, boasted in public that De la Madrid's government had bowed to the Mexican business elite's conditions, saying that the PSE had been "negotiated between the president of a strongly 'presidentialist' country with a small, comfortable group of three hundred businessmen, who are in charge of the important decisions in Mexico. [Facing the 1988 elections], the government is at risk of losing power, and given that retaining it is the only thing that matters to them, they accepted the conditions imposed by the three hundred who make up Mexico's business elite."[83]

In contrast, organized labor bore the brunt of economic adjustment after the pact was implemented. The workers' CT declared that the "latest ultra orthodox shock [means that] the state-workers' alliance has come to an end." An editorial summed up labor's conditions toward the end of 1987: "The labor movement has lived through its worst ever economic and political crisis."[84] All this happened less than a year before the presidential election, scheduled for July 6, 1988. Would it come as a surprise if the PRI's candidate, the architect of the PSE and the undisputed leader of the rising neoliberal group in De la Madrid's government, found it difficult to garner the traditional mass support for the PRI? The political pressures against De la Madrid from inside the PRI had mounted since his government's economic policy U-turn after 1985. They reached a climax during the presidential succession of 1987–88.

The Presidential Succession of 1987–88

As an inclusive authoritarian regime, it was natural that the strongest political opposition to the PRI had usually come from within its own ranks. PRI notables had left the party and confronted it in the presidential elections of 1940, 1946, and 1952. Even though none of them beat the respective official candidates in the polls, they posed a serious enough challenge that the state had to suppress pro-

tests against vote intimidation and electoral fraud. From 1958 to 1982, dissidence was contained through strong discipline imposed by the PRI under the leadership of Mexico's incumbent president.[85] Political discipline in the PRI loosened up as a consequence of the 1982 economic crisis, the end of populist governance, and the highly unpopular neoliberal restructuring strategy that De la Madrid's government adopted from mid-1985. Strong dissidence made itself heard in the PRI starting in 1986.

Populist-nationalist members of the PRI decided to work toward the nomination of one of their members as presidential candidate in 1988. They worked through the creation of a group inside the PRI called the Corriente Democrática.[86] This group included top PRI members like Porfirio Muñoz Ledo and Cuauhtémoc Cárdenas. Muñoz Ledo had been national leader of the PRI during Echeverría's government and had held top positions in several presidential cabinets. Cárdenas had been governor of the state of Michoacán and, very importantly, was the son of legendary former president Lázaro Cárdenas, the very heart and soul of revolutionary nationalism.

The group put forward a proposal during the PRI's 13th General Assembly in September 1987. Their proposal criticized the De la Madrid administration's abandonment of revolutionary nationalism and its embrace of neoliberalism: "Our constitution's ideals have been abandoned and we are moving away from liberty, autonomy, and justice." To them, it was imperative to avoid the selection of a presidential candidate from the ruling technocratic group. They were convinced that De la Madrid and his close circle had become fully committed to the neoliberal project and thus would try to nominate a member of their own group. To fight against this possibility, they decided that the best way to block the nomination was to criticize publicly the central unwritten rule of the Mexican political system: the president's authority to choose—if need be, to impose—his successor. They thus declared that the group's aim was to "fight against despotism and open the space of democracy to the majority."[87] This was a direct indictment of the president's unwritten prerogative to decide his successor. It was also an action program to fight for a democratic nomination of the PRI's presidential candidate in the 1987–88 campaign.

To the members of Corriente, the nomination of a presidential candidate who was in favor of the neoliberal project meant the destruction of the national revolutionary project that had reigned in Mexico since the 1930s, and that was the PRI's raison d'être. Time would prove that their analysis was accurate. In the meantime, the PRI became, in the words of the man who was to become government spokes-

man for President Salinas, "a house with two loyalties."[88] The undisputed leadership of De la Madrid and his circle within the PRI permitted a backlash against Corriente.

After the 13th National Assembly, the PRI's corporatist sectors closed ranks and rallied their support around the president. Former presidents Echeverría and López Portillo, whose PRI membership had been suspended after the politico-economic crises they helped to bring about in 1976 and 1982, were welcomed back into the party. This move was meant to show that the "real" forces of the Revolution backed the official leadership of President De la Madrid and his entourage, not the popular-nationalist dissidence sparked by Muñoz Ledo and Cárdenas. The government also decided that the best way to deal with Corriente was to ignore it. President De la Madrid refused to meet any of its members. The president's advisers thought that acknowledging the existence of such dissidence meant implicitly validating the critique about the current government's neoliberal economic policy and its continuation through the president's nomination of a successor who supported neoliberalism.[89]

Upon Corriente's insistence of an internal PRI democratic election to choose the 1988 presidential candidate, the official PRI leader, De la Vega Domínguez, a De la Madrid loyalist, called for expulsion of Corriente's members. The definitive rupture between the dissident group and the party came after President De la Madrid imposed his own candidate, Carlos Salinas de Gortari, on October 4, 1987.[90] Salinas had been responsible for the formulation and implementation of economic policy since the government's U-turn toward neoliberalism in mid-1985. He was regarded as the natural leader of the rising neoliberal technocratic group during De la Madrid's government.

After the official announcement of the PRI's presidential candidate, or *destape,* on October 4, 1987, Muñoz Ledo and Cárdenas left the PRI and took with them Corriente's membership. International sources perceived the wider politico-economic implications of the rupture within the PRI. The *Wall Street Journal* declared that "the nomination made the financiers and the business leaders happy, but mortified workers' leaders."[91] What had just happened was not only a rupture inside the political elite but also a wider politico-economic divide that encompassed the basic organized sectors in Mexican society. The PRI fracture translated the much-bruited *disputa por la nación* into a political reality during a presidential election year.

A long-term PRI satellite party, the PARM, offered Cárdenas the party's presidential candidacy, as did other satellite parties like the PPS and PFCRN, who joined in support of revolutionary nationalism. Heberto Castillo, presidential

candidate for the Mexican Communist Party (PSUM), renounced his candidacy and also supported Cárdenas. Together, these parties formed a broad left-wing front—the Frente Democrático Nacional (FDN); for the first time in history, the PRI faced a united, broad left-wing coalition in a presidential election. Salinas campaigned against the populist-nationalist challenge put forward by Cárdenas. The FDN on the left and the PAN on the right responded by accentuating the political significance of another PRI victory: the system would remain authoritarian, and political liberalization would not progress toward full democratization.

The candidacy of Cárdenas became a challenge to the ruling technocrats' economic liberalization policies. The opposition to Salinas expressed by several prominent leaders of the PRI's corporatist sectors and of the party bureaucracy, including the leader of the powerful oil workers' union, strengthened the FDN leadership's resolution to fight. These sectors were also strongly in favor of revolutionary nationalism and eventually supported the Cárdenas candidacy.[92] Despite De la Madrid's attempt to bring the party's corporatist sectors onto the bandwagon of neoliberal economic modernization, their leaders resisted what they perceived as the takeover of the PRI by the president's hand-picked technocrats.[93] Cárdenas was a strong presidential contender after he left the PRI. Due to the political symbolism surrounding his name and his political career, which had exposed him to the challenges of winning elections (for the governorship of the state of Michoacán) and therefore of high public administration, the PRI faced for the first time in several decades a credible alternative to the party's official candidate.[94] Indeed, two conflictive politico-economic projects, each coming from inside the PRI and each with a strong social base, came to a head-to-head battle.

The 1988 Elections

The threat to PRI's electoral hegemony did not only come from the FDN on the left. The PAN on the right also put forward a fiery presidential candidate, Manuel J. Clouthier, who had been president of the business elite's CCE. The takeover of the PAN by combative and pragmatic business leaders also turned into a strong electoral threat to the PRI. The traditionally loyal PAN, a party whose leadership had been Mexico's "moral opposition," became a competitive electoral alternative.[95] The social costs of economic stabilization and adjustment translated into massive loss of electoral support for the PRI. Public polling in 1987 showed that all sectors of Mexican society, starting with the business elite, the middle classes, and particularly the workers and the urban marginalized populations, expressed high dissatisfaction with PRI rule.[96]

Facing an electoral challenge from both the left and the right, the top members of De la Madrid's government sabotaged the presidential election of July 6, 1988, by crashing the computer system in charge of the electoral count. This was done overnight between July 6 and 7, when official counters noted strong vote advantage for Cárdenas over Salinas in Mexico City, the country's neuralgic political and economic center. The Secretario de Gobernación, Manuel Bartlett, a De la Madrid man and the official in charge of managing the federal elections, assumed responsibility for the crash of the system. At the same time, Salinas and Cárdenas both claimed victory. Leading members of the political elite, supported by a broad social base, questioned the credibility and the authority of the regime, and the crash of the system created an incensed public mood against such blatant electoral fraud. The outrage was such that even the conservative PAN's candidate, Clouthier, encouraged his supporters to adopt civil resistance.[97]

By July 13, the Comisión Federal Electoral, headed by Secretary Bartlett, had been on permanent session since July 6, and had still not issued any official results, even though the secretary had declared before the election that official results would start flowing on the day of the election itself. The credibility and the legitimacy of the elections were seriously undermined.[98]

On July 13, the electoral commission issued its official results: 50.36 percent for Salinas, 31.12 percent for Cárdenas, and 17.07 percent for Clouthier. The FDN and the PAN orchestrated a civil resistance movement. The president's office later declared that "the intense agitation of those days questioned the government's capacity to preserve the country's stability."[99] In the aftermath of the 1988 presidential elections, the PRI regime came closer to political rupture than ever before.

By mid-July 1988, the opposition refused to acknowledge the electoral commission's official election results for federal deputies and for senators. President De la Madrid declared that the government would not be intimidated, that it would "know how to secure public order without which neither democracy nor liberty are possible."[100] A long delay of the official results of the federal deputies' elections might "delay the installation of the new legislature in the Chamber of Deputies, postpone the president's last address to the nation on September 1, and even worse, thwart the constitutional sanctioning of the presidential election." Mexico would thus find itself "on the brink of a constitutional crisis."[101] After difficult negotiations, the new Chamber of Deputies was eventually installed on August 31, and President De la Madrid delivered his last address to the nation on September 1. For the first time in the history of the regime, the opposition interrupted the president during his address, and PRI and FDN deputies screamed and abused each other verbally—all live on television. Mexicans had never seen

such a spectacle. Eventually, Muñoz Ledo, leader of the FDN in the legislature, stormed out of the chamber, followed by other FDN legislators. The PRI's legislators rallied around President De la Madrid and erupted into a chorus of "Traitor, traitor!" as Muñoz Ledo left the chamber. The government-run television and radio stations refused to broadcast in unedited form embarrassing footage of the opposition protesting in the Chamber of Deputies against authoritarianism and the imposition of a fraudulent election.

The next confrontation occurred in early September 1988, when the new members of the lower chamber began the process of constitutional certification, that is, official recognition of the presidential election. This time, the battle between FDN and PRI was not just verbal but also physical, as deputies and senators, including Muñoz Ledo, exchanged blows. On September 8, the PRI tried to impose a resolution passed only by PRI members of the Government Committee of the Chamber of Deputies to confirm Salinas as the next president. The FDN and the PAN accused the PRI of trying to impose the legal sanctioning of the election through illegal means. On September 10, the PRI accelerated the process to vote, even though the opposition had left the chamber to sabotage the vote, which had been imposed in haste. Salinas was officially declared president by 263 votes in favor and 85 against. All 260 PRI legislators voted in favor. There were 3 FDN dissidents who also voted in favor. The PAN's 85 legislators voted against. The rest of the 152 federal deputies, all from the FDN, had left the chamber before the vote took place. The presidency's official chronicle later highlighted the implications of the way the election was sanctioned: the presidential election's legitimacy was hampered because nearly half of the country's political representation opposed it—either through vote or abstention. Never before had the PRI had to sanction a presidential election without support from satellite parties.[102]

De la Madrid's government was able to prevent an end-of-*sexenio* economic crisis but not without bringing on the greatest succession crisis that the PRI had ever experienced. The 1988 election results also produced a demonstration effect, because for the first time party alternation in the presidency became a live possibility.[103] Starting in 1988, the opposition parties and civil society groups concentrated their efforts and resources in monitoring elections closely and fighting them with a winning spirit. The elections forced a reform of Mexican presidentialism. For the first time, the president's party lost the two-thirds majority in the Deputies needed to initiate constitutional reforms. It would now have to engage in coalition- and consensus-building with the opposition to do this.[104] Also, for the first time the Senate was opened to the opposition. The regime's power was

also territorially regionalized. The PRI's support plummeted in some states, particularly in the northern and in the south-central regions of the country. The aftermath of the 1988 elections made the political opposition and civil groups in Mexico concentrate their efforts in making free and fair elections the only basis for the sanctioning of the regime's legitimacy.

Conclusion

The 1982 crisis in Mexico triggered a deep crisis for the longstanding PRI regime. Opposition parties as well as popular organization and mobilization surged and strengthened throughout the 1980s. This process was somewhat like in Chile, where the post-1982 revival of the opposition through the traditionally strong Chilean political parties wounded Pinochet's regime; the situation never did return to the status quo ante. Despite the challenging politico-economic crises to the Mexican and the Chilean regimes, they were able to contain antagonisms and survive—unlike the military regimes in Argentina, Bolivia, Brazil, and Uruguay, all of which underwent transitions to democracy.

In both countries, social disenchantment and political protest after the 1982 economic collapse were channeled through political parties and calls for free and fair elections. In Mexico, competitive elections went from being a marginal concern to the very center of the political system. This reached a climax with the 1988 presidential elections and the end of uncontested PRI hegemony. In Chile, the opposition united to win the 1988 plebiscite and force the restoration of civilian politics under a plural party system. The official winners of the 1988 popular contests in Mexico and Chile—the PRI under Salinas and the Concertación multiparty coalition, respectively—also guaranteed the continuation and consolidation, respectively, of economic liberalization and a market-oriented political economy. Calls for competitive politics and market-oriented policies reinforced each other and helped to shape both countries' dual transitions comparatively successfully.

Such calls were framed through a highly institutionalized political process in Mexico and Chile. In both cases, the authoritarian regimes were strong enough to impose their own calendars to manage the economic crisis and to impose their terms on how the opposition could fight the electoral contests in 1988. The political calendar thus provided assurances to both camps about the presence of an institutionally sanctioned time horizon that framed political contestation, the strategies of incumbents and opposition parties on the economic crisis, and the possibility of transforming antagonistic into synergistic interactions. The presence of a time framework that helped to structure and contain politico-economic

antagonisms in Mexico and Chile can be contrasted with its absence in a country such as Argentina, where the military government between 1976 and 1983 was more of an "authoritarian situation" than an "authoritarian regime."[105] Without an institutionalized political process, the military and the opposition in Argentina were unable to provide mutual assurances about the basic rules and procedures that would regulate the extent of politico-economic change brought about by any one camp unilaterally.

The end result was that in both countries, the institutionalized authoritarian regime and its allies gave de jure power to the opposition through the *proceso de amarre* in Chile and the successive electoral reforms in Mexico between 1977 and 1996. The aim was to provide incentives for the opposition to channel their future de facto power through the institutional arrangements of competitive elections. Both regimes were relatively successful in this. The *proceso de amarre* in Chile and the successive electoral reforms in Mexico created the evolving institutional bases of new equilibria in which the elites and the opposition would engage. This was in striking contrast to the deep economic problems (hyperinflation) and political crises (interrupted presidencies) that other dual transition countries like Argentina, Bolivia, Brazil, Ecuador, Paraguay, and Peru experienced.

We now turn to the development of the views and strategies of incumbents and opposition in Chile and in Mexico between 1988 and 2000.

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The New Chile, 1990–2000

A Globally Integrated Economy and a Restricted Democracy

Both the military regime and the democratic opposition won and lost the 1988 plebiscite at the same time. On the one hand, Pinochet and the military government would have to go, but at the same time the politico-economic model they had crafted would become the framework of political and social engagement in the post-authoritarian era. On the other hand, the opposition coalition defeated the dictatorship in the ballot box and took over the country's government. But it also had to accept that the new Chilean polity would be structured by conservative constitutionalism (the restricted democracy set out in the 1980 constitution) and neoliberalism (a mixed economy with a preponderance of free market allocation). This key compromise was possible thanks to regime institutionalization, which did not allow incumbents and the opposition to impose their national projects on each other in a wholesale way. On the contrary, the main effects of regime institutionalization in 1990s Chile were the preponderance of coalition (rather than winner-take-all) politics, a policymaking process characterized by incremental change, and moderate economic policies.

In this respect, the Chilean and Mexican experiences were similar. In Mexico, the PRI regime and the opposition were also unable to impose their views on each other between 1988 and 2000. Rather, as in Chile, they had to proceed through successive politico-economic negotiations that defined the limits of political and economic liberalization. This process of engagement was possible in Chile and Mexico due to the presence of institutionalized political structures that endured at the same time that they were gradually reformed. The demise of the authoritarian regime under Pinochet in Chile (between 1988 and 1990) and of the PRI's authoritarian and hegemonic rule in Mexico (between 1988 and 2000) did not produce a *ruptura* of state institutions, as occurred in countries like Argentina. On the

contrary, the presence of stable constitutional frameworks, regular electoral calendars, institutionalized political parties, and authoritative executive leadership in Chile and in Mexico laid the foundations for politico-economic synergies.

Such similarity does not mean that Chile's and Mexico's politico-economic trajectories were identical between 1988 and 2000. There were important contrasts between Chile's and Mexico's dual transitions in both the economic and political spheres. In the economic sphere, while Chile experienced economic collapse only once (in 1982), Mexico underwent cyclical, end-of-*sexenio* crises in 1982, 1987–88, and 1994–95. Thus, while in Chile the success of neoliberalism became a mark of confidence and credibility for the post-authoritarian political order, in Mexico the social costs of successive economic stabilization and neoliberal restructuring strengthened calls in favor of political democratization.

In the political sphere, a new politico-economic consensus emerged in Chile as a result of one grand compromise between 1988 and 1990 (plebiscite–*proceso de amarre*–regime change). In contrast, in Mexico the politico-economic process that ultimately furthered political democratization and economic liberalization between 1988 and 2000 unfolded through several compromises between PRI incumbents and the opposition. Such compromises followed the rhythms of the *sexenio* calendar—according to the relative political strength or weakness of presidents Carlos Salinas (1988–94) and Ernesto Zedillo (1994–2000). Their main objective was to buy the support of the opposition through successive electoral reforms that gradually enhanced the competitiveness and fairness of Mexican elections. In exchange, important sectors of the opposition supported the regime to contain antagonisms derived from end-of-*sexenio* politico-economic crises in 1987–88 and 1994–95 that furthered the neoliberal transformation of the Mexican economy.

In Chile, synergies were furthered foremost by the consensual and incremental dynamics induced by the restricted democracy/open economy model. The center of gravity of Chilean politics in the 1990s was tightly structured by its political institutions. The state (the 1980 constitution) and the regime (the multiparty system dominated by two broad, stable coalitions) levels became the anchors around which politico-economic synergies developed and temporary antagonisms were brought under control.

In this chapter I argue that stable political institutions and negotiated behavior between the new civilian incumbents and the military regime and its allies, now in the opposition, have been the key forces behind politico-economic synergies in Chile since 1990. These factors have been reinforced by centripetal elements. In particular, Chile's sustained good macroeconomic performance and the inter-

national community's strong support for liberal democracy, particularly after the demise of Soviet Communism (1989–91), reinforced synergies. In the last instance, this led to the creation of a virtuous cycle in which the political and the economic processes strengthened each other.

From this volume's perspective, politico-economic synergies and antagonisms have coexisted and been in permanent tension as the process of contemporary dual transitions has unfolded in Latin America and other regions. Thus, a synergies-antagonisms framework can also help to qualify and evaluate comparatively the analysis of the Chilean case as a paradigmatic dual transition success. Hence, in a second instance, although the prevalence of politico-economic synergies still stands out as Chile's dominant politico-economic feature, it has to be qualified. Politico-economic antagonisms were also nested at the heart of the country's new model. Amidst the prevalence of synergies, antagonisms "irrupted" time and again throughout the 1990s, but the new political regime and the new settlement among the political class usually allowed such antagonisms to be contained.

During Patricio Aylwin's presidency (1990–94), stable intra-coalition and consensual inter-coalition politics, together with orthodox economic policy, strong economic growth, and international support for liberal democracy and free markets, helped to establish and strengthen synergies. Irruptions of antagonisms were sparked in civil-military relations, the fight to reform unaccountable institutions in the new democracy, and the fight to acknowledge and bring about justice with respect to the human rights violations perpetrated by the military. At the end of Aylwin's presidency, despite the irruption of antagonisms, the foundations of Chile's new political economy, based on conservative constitutionalism and a mixed, liberal-oriented economy, were firmly grounded.

During Eduardo Frei Jr.'s presidency (1994–2000), synergies retained the upper hand. Even amidst external shocks, the Chilean economy showed significant stability and stayed out of danger (unlike neighboring Argentina). The political institutions remained stable too. Consensual, coalition-driven political interaction was also the norm, as could be observed during the occasional irruptions of antagonisms in Frei's relatively unstable cabinets, the battle to reform the Supreme Court, and the continuing fight to prosecute human rights violations. This last battle reached a climax that dominated the world's media after then Senator Augusto Pinochet was arrested in London in 1998. Pinochet fought successfully against extradition to Spain, returned to Chile, was stripped of his congressional immunity, and spent time under house arrest awaiting trial for human rights violations. Pinochet managed to avoid trial on the dubious grounds of senile dementia, but eventually death claimed him in December 2006.

Patricio Aylwin's Presidency: A Fragile Politico-Economic Equilibrium, 1990–94

On March 11, 1990, General Augusto Pinochet was late to congratulate Patricio Aylwin, the new democratically elected president of the republic. A period of relative uncertainty opened soon after the transfer of power.[1] Incidents between Pinochet and the new government received wide media coverage.[2] The right used the argument that the country without Pinochet could sink again into the political and economic chaos of the early 1970s.[3] Meanwhile, on the left, Luis Corvalán, the historic communist leader, asserted that the traditional left considered the post-1990 political arrangements a platform for "cohabitation" between civilian and military authority. The politics of *continuismo* prevailed, and there were no guarantees that the military would not reverse the new political arrangements. Corvalán exhorted the remaining FPMR and Lautaro guerrillas to "keep their weapons in store, *'por si las moscas' "*—"just in case."[4]

Andrés Allamand, leader of the center-right RN, expressed a practical concern over the Concertación government's ability to manage the economy. "Weren't most of the new members of Aylwin's economic team members of CIEPLAN, and thus fierce critics of the economic transformation implemented by the military regime?" he asked. (CIEPLAN is the Corporación de Estudios para Latinoamérica, an important Chilean think tank of the Partido Democracia Cristiana.) President Aylwin himself was "in terms of his economic thought one of the least renovated political leaders. . . . He felt uncomfortable with the logic of a market economy." Moreover, Allamand continued, the new minister of the treasury, Alejandro Foxley, "had written innumerable articles and books against the economic transformation of the country." This led to a dangerous paradox: "The greatest critics of the new economic model now had to administer it!"[5]

For these reasons, at the time it was not at all clear that gradual political democratization and the liberalized market economy would survive. From these divergent points of view, the potential for the development of antagonisms was very real in 1990.[6] Why was it, then, that synergies took the upper hand? The answer to this question lies in the role of regime institutionalization in making such synergies possible. First, the presence of a stable and rigid institutional setting under the 1980 constitution provided guarantees about the limits of political and policy actions of incumbents and the opposition. Second, consensus politics—*la democracia de los acuerdos*—translated into the formulation and implementation of incremental economic policy. Third, the absence of external financial shocks during this period facilitated a comparatively smooth transition

in Chile.[7] Politically, international pressures also eased during the early post-authoritarian years in Chile as a result of the post–Cold War consensus about the desirability of political democracy over other competing political systems in the world.

Coalition Politics and La Democracia de los Acuerdos

The 1988 plebiscite split Chilean party and coalition politics into two distinct camps: those who supported the continuation of military rule and those who opposed it.[8] The 1989 presidential elections mirrored the results of the plebiscite of the previous year. Patricio Aylwin from the center-left Concertación de Partidos por la Democracia won 53.79 percent; the right divided its votes between the regime's official candidate, Hernán Büchi, who won 28.67 percent, and Francisco Errázuriz, who won 15.01 percent.[9]

The decision to fight the military regime beyond the 1988 plebiscite through the creation of a permanent center-left coalition, the Concertación, induced the formation of a longstanding majoritarian electoral bloc. This forced the right to follow a coalition strategy as well. RN and UDI thus presented joint candidates in elections throughout the 1990s. Minority parties to the left of the Concertación and to the right of RN-UDI did not gain any political representation throughout the 1990s even though their share of the national vote was both consistent and significant (fluctuating between 5 and 10 percent of the national vote).

The political outcome of this situation was the rise of two wide and relatively stable electoral coalitions representing the center of the political spectrum, coalitions that monopolized political representation. This helped to displace political conflict in Chile by forcing it to take place in an intra- rather than an inter-coalition basis. It forced the two political camps into a consensus style of politics.[10] The key policy implication of this new pattern of political interaction in Chile was that policymaking tended to proceed in an incremental way, without surprising innovations or discontinuities.

This situation provided an air of continuity and certainty that many national and international observers assumed would be thrown into question once Pinochet stepped down. It also provided the basic framework for the establishment of moderate politics, which strengthened synergies in favor of the new regime. On the one hand, the convergence of the Christian Democrats and the Socialists meant that the most important parties of the center and the left had abandoned the maximalist positions they had embraced between 1958 and 1973.[11] The right was assured of the moderation of the new regime, which enabled it to commit to

the workings of democracy.[12] Hence, the "triangle with no sides, and the uncompromising goals of its three camps [left, center, and right], which led to the destruction of constitutional democracy in 1973," was transcended.[13] On the other hand, the right was able to count on several veto points, such as an assured majority in the Senate and the constitutional prerogatives of the Consejo de Seguridad Nacional. This fact guaranteed the new regime's political incapacity to implement daring politico-economic reforms.

During the 1990–94 period, the Concertación submitted legislation to eliminate the designated senators, to lower the threshold of constitutional reform, to grant full civilian control of the armed forces, and to restore most labor rights. In all of these cases, the voting in Congress was identical. The Concertación voted in favor of and the right voted against the reforms.[14] Thanks to the right's veto, the status quo prevailed. In areas that were not fundamental to keeping the architecture of the "restricted democracy," such as the need to raise and target social spending, the enactment of education and health reforms, and democratic municipal elections, more flexible arrangements prevailed. In these cases, the Concertación was almost always able to count on the support of RN and sometimes of UDI to pass legislation through consensus. This became known as *la democracia de los acuerdos*.[15]

The practical success of the new political process proved to be self-reinforcing. It provided both the government and the opposition with political stability and certainty, which helped to build political trust among the political class. It also provided both sides with a political mechanism to debate controversial issues that the country had inherited from the Unidad Popular (1970–73) and the Pinochet (1973–90) years without having to resort to quick and definitive action. It provided them with the necessary administrative expediency for the implementation of a smooth and effective day-to-day policy process. The new political process strengthened the young regime and provided the institutional and behavioral bases in the political sphere to interact synergistically with developments in the economic sphere.

Economic Policymaking and the Consolidation of Neoliberalism

One of the areas in which the transition produced more uncertainty, both in the domestic and the international spheres, was the economy. The Chilean economy had been the best performer in Latin America during the second half of the 1980s.[16] Büchi's pragmatic neoliberalism toward the end of the military regime reactivated the economy starting in 1985, but it overspent in the runup to the

1988 plebiscite, and Aylwin's government faced the need to implement economic adjustments in his first year in office. Right-wing political leaders and the Chilean business community were highly suspicious about the economic management style that the new government would adopt.

But the Concertación government was in no mood to change economic course. The new policymakers had been subjected to strong demonstration effects when looking at the "failed populist experiments in other Latin American countries and the increasing economic stability and prosperity since the mid-1980s which the neoliberal model had produced in the country."[17] Treasury Minister Alejandro Foxley thus decided to follow a sober, orthodox economic management approach. From the beginning, he asserted that "inflation is economic growth and social progress' worst enemy. . . . the priorities of this government are clear: social effort is first, but this effort has to be carried out without increasing inflation."[18]

Neoliberals in Chile and abroad were reassured by this early pronouncement. Hence, throughout the 1990–94 period the country experienced robust macroeconomic indicators and an enviable growth rate vis-à-vis most other Latin American countries: a significant decrease in inflation (27.3 percent in 1990 to 13 percent in 1994), sustained government surpluses (2.7 percent in 1990 to 2 percent in 1994), consistent decreases in the annual unemployment rate (6 percent in 1990 to 4.3 percent in 1994), and acceleration of economic growth (3 percent in 1990 to 6.3 percent in 1993; in 1994, 4.2 percent). Such economic performance, which actually yielded better macroeconomic results than that of the late military period under Büchi, helped to promote synergies between the new democratizing political system and the liberalized economy. The initial uncertainty gave way to high confidence in the Concertación's economic strategy. Total investment in the economy increased systematically from 19.8 percent in 1988 to 24.6 percent in 1990 to 29.2 percent in 1994. Investment was driven by the private sector.[19]

The best thing from the perspective of conservative and orthodox actors was that even if the Concertación tried to implement expansionary policies, anything that might hint of "populism," it would be incapable of doing so. The institutional framework gave the right veto points to frustrate policies that deviated from the market-driven model. Moreover, according to Allamand, the right in Chile could influence and intervene in the political decision-making process through the so-called *poderes fácticos*. Such tacit powers were accorded the powerful business elite (and its control of investment decisions), the military (through the tutelary 1980 constitution), and *El Mercurio* (the largest and most influential national newspaper, considered a bastion of the right).[20] The right could thus use institutional

as well as tacit sources of power to influence and limit policy decisions by the center-left government.

Two cases illustrate this. Both fiscal and labor policies can become contentious areas for the neoliberal model. According to its logic, dynamic market economies are supposed to be led by the private sector, not by the government. High taxes affect these economies negatively. Also, economic efficiency demands a flexible labor market that can adjust quickly to global trends and competition. A welfare-oriented labor policy creates rigidities in the market, which make both capitalists and workers worse off.[21]

The Concertación's government program had as its top priority the "social debt" left behind by neoliberal restructuring.[22] Business and those on the right were opposed to state and labor activism. In both cases, long negotiations between the Concertación and the center-right helped to reach a consensus about the need of policies that would reform both areas, but in an incremental and mutually advantageous way.[23] This fact again reduced uncertainty and helped to build trust among the center-left, the center-right, and the Chilean business community. This trust enabled synergies between the moderate political process and the market-oriented economy.

With respect to fiscal reform, Foxley voiced an argument that convinced neoliberals. Because the Concertación's top priority was to reverse the "social debt," a significant increase in public spending was needed. However, the government refused to finance its active social policy through deficit spending—because it would feed inflation. The only other alternative was to use productive resources coming from taxation toward this end.[24] Even though at first the business community opposed the tax increase and the UDI supported their view, agreements were reached in 1990 to promote a fiscal reform. RN supported the Concertación: corporate taxes were raised from 10 to 15 percent; taxes for high-income earners were increased; mining, agriculture, and transport taxes were raised. Given its institutional veto, the right had strong bargaining power. It accepted these measures in exchange for a transfer of the bulk of new tax revenue to the VAT, which is indirect and does not hurt business directly. The government also had to agree that these fiscal measures would be temporary—taxation rates would revert to their previous levels in 1994.

In the case of labor reform, the government asserted its opposition to the 1980 Labor Code, enacted by the military. This code severely curtailed workers' rights. The business community and the right opposed a reform at first. But again, long negotiations helped to reach a consensus, and RN voted with the Concertación in favor of the labor reform. The main achievements of the reform were "the elimi-

nation of the clause that allowed arbitrary dismissal; an end to the time limit of strikes; the legal recognition of small unions; and the loosening of measures against union organization and collective negotiation."[25] Again, the right was able to use the Senate as a potential veto point to moderate the Concertación's reform project. Moderate limits were established for compensation. Collective bargaining was kept at the plant level and prohibited at the industrial and sectoral levels. Employers kept the right to replace workers on strike with new ones, and labor unions were still prohibited from associating with any political party or movement. It was also agreed that the Aylwin government would not try to implement another labor reform.

In the end, the middle of the road prevailed. The more radical positions of both camps were rejected, and the business community's intransigence in opposition to any labor reforms was echoed by former minister of labor José Piñera, who declared it to be "a tango danced only between the government and the unions."[26] On the opposite side, labor also voiced confrontational demands by advocating the restoration of the "historic labor order," that is, the victories of the labor movement through 1973.[27] None of these positions succeeded. *La democracia de los acuerdos* steered the policy process to an incremental, middle-of-the-road result.

Both of these examples show concrete ways through which economic policy under Aylwin was formulated and implemented in a consensus-seeking, incremental manner. The opposition, reassured through the institutional veto points and the tacit powers they could use to influence the new government's decisions, became convinced that a return to democracy—restricted, not full—need not mean that Chile would plunge to the radicalism of the early 1970s. On the contrary, the moderate reforms and the economic performance of the Chilean economy between 1990 and 1994 led them to consider the possibility that economic growth and prosperity might actually be strengthened and sustained in a more solid way under a democratic regime.[28]

Probably even more important was the new democratic government's acceptance of the basic outline of the neoliberal model, which granted it the political legitimacy that it had lacked until then. Because it had been constructed by the military, some forces in Chilean society regarded the neoliberal economic model as illegitimate.[29] This was especially true after the 1982 economic crisis and its negative impact on Chileans' standard of living. The country had seen a massive increase of people living under the poverty line, from 17 percent in 1969 to 45 percent in 1985.[30] The Aylwin government's social policy was considered highly effective in redressing part of the neoliberal restructuring of social debt (absolute

levels of poverty fell from 39 percent of Chile's population in 1990 to 28 percent in 1994).[31] Once the neoliberal model was accepted and taken on board by the Concertación government, it became broadly legitimated.[32] Some observers were surprised when they realized that the neoliberal model had finally been consolidated—and that it had occurred under democracy.[33]

The International Environment: The End of the Cold War and the Triumph of Liberal Democracy and Free Market Capitalism

The international politico-economic climate at the beginning of the 1990s also helped to further synergies in Chile. The country renewed its active membership and participation in the international community. This was a dramatic change given that "the military regime suffered great political isolation, was the object of generalized rejection on international public opinion, and had to endure frequent condemnations by the main international organizations."[34] After all, the return of democracy in Chile had enjoyed strong support from the international community in the 1988 plebiscite, Aylwin's victory in the 1989 presidential elections, and his inauguration in 1990.[35] There could be no doubt that the military regime had been rejected.

As the Cold War drew to an end, diffuse but pervasive political and economic international trends affected Chile as much as the rest of the world. The fall of Communism made obsolete the ideological justification of military rule through the "national security doctrine" and the "war against communism." This was supplemented by the international community's support for electoral democracies around the world. Chile was welcomed back in the international community in 1990, and it became actively involved. Aylwin supported the "Representative Democracy" resolution in the 21st General Assembly of the Organization of American States (OAS) in 1991. Chile also became involved in UN peacekeeping operations launched in El Salvador, Bosnia, Kuwait, Iraq, and Cambodia.[36] The new Chilean regime formulated its foreign policy in a way that its support for democracy internationally could indirectly strengthen democracy at home. The international political arena supported Chile's return to democracy in a way that strengthened democratic-liberalizing synergies.

The Aylwin government also supported the open-market economy model in the international sphere. Regarded by many as one of the best examples of the benefits and superiority of liberal, open economies, Chile participated in international conferences that promoted the liberalization of markets, especially trade. It signed a free trade agreement with Mexico in 1992 and was ready in 1994 to

sign a free trade agreement with the United States. This came to a halt temporarily after the U.S. Congress denied President Clinton fast-track authority, although the agreement was finally signed and came into operation in January 2004.[37]

Especially relevant during the second Concertación government under President Frei was Chile's associate membership in MERCOSUR, of which Chile's two largest markets, Argentina and Brazil, were the leading members. A bold return to the international community also had strategic value for the Chilean economy. This was due to the increasing activity of Chilean businesses in other countries. For the first time in history, Chile became a strong capital exporter to countries such as Argentina, Peru, Brazil, and Colombia. A strong presence in international economic organizations and an active bilateral agenda became part and parcel of the support of the new democratic regime for the basic tenets of the neoliberal economic model at home and abroad.

Military Autonomy and the Limits of Democratization/Liberalization

The transition to democracy in Chile has been regarded as an exemplary case of peaceful regime transition.[38] This view supports the idea that politico-economic synergies prevailed over antagonisms in the early post-authoritarian years. A more nuanced view of the Chilean case, however, also requires identifying such antagonisms to analyze how they interacted with the new synergies. Of particular importance between 1990 and 1994 were irruptions of antagonisms as a result of the delicate political balance associated with to Chile's post-authoritarian political institutions. Nowhere could these potentially deep tensions and conflicts be observed better than in the area of civilian-military relations.

THE INCONVENIENCE OF NO ACCOUNTABILITY

The political order prescribed in the 1980 constitution established a "tutelary" or "restricted" democratic regime. Since the return of civilian rule in 1990, however, there was evidence of the emergence of a clear majority of Chilean citizens who supported the Concertación coalition and its program in favor of a return to full democracy. Since the 1988 plebiscite, an authoritarian/democratic cleavage had emerged in Chilean politics.[39] It was more pronounced in the early and mid-1990s and seemed to lose salience in the presidential elections of 1999–2000 and the legislative elections of 2001.[40] During Aylwin's presidency, this cleavage helped to spark irruptions of antagonisms directed at the civil society, the regime, and the state levels of political organization. Indeed, the restricted democ-

racy model introduced an element of potential institutional instability in a society in which an electoral majority favored full democracy. This meant that Chilean political institutions became vulnerable to the threat of discontinuous (as opposed to incremental) institutional change.[41]

President Aylwin and the Concertación committed themselves to the full restoration of democracy. But the right knew that it could safely rely on its institutional veto points to protect the restricted democracy model. In January 1992, the government sent a reform bill of the armed forces law. The top military leaders lobbied legislators of RN, the UDI, and even of the DC against this action. Pinochet personally complained to Aylwin about the reforms. Even though President Aylwin tried to give extra support to the reforms by talking about them with strong conviction on his June 1992 annual address to the nation, the appointed senators and the rest of the right's legislators vetoed it.[42] This defeat evaporated some of the confidence that the authoritarian and the democratic camps had built since 1988.[43] Confrontation over the fundamental rules of the game was very much alive. This increased uncertainty about the range and depth of short-term reforms to basic and sensitive issues such as the authoritarian enclaves in the constitution and the limits of justice in Chile.

Equally important was another problem related to political institutions. The model of restricted democracy introduced the element of institutional unaccountability in the Chilean polity. This problem applied most clearly to the armed forces, but it also applied to the Consejo de Seguridad Nacional, the Tribunal Constitucional, and the Senate. Unaccountable institutions can produce both political and economic problems. In the Chilean case, they have been responsible for subjecting the deliberations and policies of democratically elected governments to veto points enjoyed by appointed rather than elected individuals.

In the economic realm, institutional unaccountability introduced the element of mismanagement and corruption into the supposedly modernized, market-oriented, and efficient Chilean economy. Unaccountability in Chile created incentives for the rise of favoritism, venality, and corruption. In the political economy literature, these activities correspond to rent-seeking, moral hazard, and other negative externalities. The neoliberal economic model predicates institutional transparency, openness, and competition as the prerequisites for an efficient economic order. Several events in the early days of the transition to democracy showed that the interaction between a restricted democracy and a market-oriented economy could spark politico-economic antagonisms.

For example, when Luis Alvarado took over the Ministerio de Bienes Nacionales in 1990, he found many irregularities with respect to the second wave of

privatization (from 1987) under the military regime. By January 1991, Minister of Economy Carlos Ominami explained in Congress that the Chilean state had suffered a loss of more than $2.2 billion. Some of the privatizations, such as the steel and the electric industries, were sold at less than 10 percent of their book value. Some of their public administrators also became some of the bigger private owners of these industries. In other areas, such as agriculture, some individuals (among them Pinochet's son-in-law) had received credits from the public agency Corporación de Fomento de la Producción, or Corfo, to buy private business.[44]

The worst case of corruption involved the Pinochet family. In September 1990, the media revealed the existence of several checks totaling $3 million that had been signed by the army and issued to Pinochet's son. As a result, the Chamber of Deputies resolved (with the abstention of RN and UDI legislators) to form the first investigative committee of the new democratic regime. It appeared that the army had helped set up one of Pinochet's sons in the arms business. These revelations could have culminated in a constitutional accusation against General Pinochet that might have led to his arrest.[45] Top generals tried to lobby legislators and ministers to seek a compromise, and some were even in favor of the commander-in-chief's early retirement to help the army save face.[46] But the hardliners won Pinochet's ear. One of his lawyers told him: "General, you know the appropriate gestures. You know how it is when you sit down to have a conversation. Sometimes it is necessary to draw the gun and put it on the table."[47] This early indication of corruption surrounding the Pinochet family was later confirmed in 2004 when an investigation into money laundering conducted by the U.S. Congress found that a bank based in Washington, D.C., was storing millions of unaccounted-for dollars on behalf of General Pinochet. The operations were carried out in order that Pinochet could hide assets from international prosecutors between 1998 and 2001, when he was under house arrest in Great Britain.[48]

Economic mismanagement and state corruption were bad enough, particularly in the eyes of international observers and some domestic sectors within the Chilean business elite. But the most fearsome irruption of politico-economic antagonisms during the early years was the Chilean armed forces' de facto capacity to strengthen their unaccountability and privileges through displays of force and intimidation. At the time of the investigations into the Pinochet family scandals in December 1990, several army units mobilized around the country. Aylwin and the leader of the Senate, Gabriel Valdés, and the leader of the Deputies, José Antonio Viera-Gallo, thought that a coup d'état was imminent. The Air Force and the Navy did not participate in the movement, but the Army and the *Carabineros* exercised what was later known as an *ejercicio de enlace,* an intimidation exercise.[49]

Such sabre-rattling by the Army was Pinochet's answer to any attempt by the new democratic executive and legislative powers to uphold the rule of law in areas that he found sensitive—in this case, with respect to his own person and family. The lack of institutional accountability at times raised the level of uncertainty for political and economic actors in post-transition Chile.

HUMAN RIGHTS

The human rights violations perpetrated during the dictatorship of 1973–90 polarized Chilean society unlike anything else. The need to address human rights violations was one of the core issues that helped cement the cohesion of the Concertación de Partidos por la Democracia. In turn, the right tried to make the issue of human rights subsidiary to the restoration of order and social peace and to the successful economic restructuring that the military government had carried out.[50] Human rights became the greatest point of political friction responsible for sparking political antagonisms throughout the 1990s. Such frictions could lead to widespread social unrest and political instability; the concern was that they might spread to the economic sphere, causing investors to lose faith in the order and stability of the early post-authoritarian years. In the event, episodes of instability were rare and never lasted long.

When Aylwin assumed the presidency, he declared that the Concertación's central concern was to reconstruct a "Democratic Constitutional State," a project in which the issue of human rights was to figure prominently.[51] This concern did not only refer to the enforcement of human rights from the time of redemocratization, it also meant establishing the truth and imparting justice in the cases of violations of human rights that had occurred between 1973 and 1990. In short, it meant transforming human rights abuses from a problem for the victims to a problem for the Chilean state. For the new democratic forces governing Chile, rectifying past abuses was a precondition to achieving "national reconciliation" and strengthening the legitimacy of the new democratic order.

To further this cause, President Aylwin engaged in symbolic and practical politics. He decreed a state funeral for Salvador Allende in September 1990 and publicly recognized the Socialist president within Chile's national family and democratic tradition. He also decreed the creation of the Comisión Nacional de Verdad y Reconciliación on April 24, 1990. Its objective was to "clarify the truth and impart justice to the extent that it is possible . . . through the investigation of the events that surround the detained-disappeared, the executed, the kidnapped and all those whose lives suffered attempts for political reasons."[52] When the results of the Comisión Rettig, as it was called, became known on March 4, 1991,

the president spoke on national television. He acknowledged the crimes of the military regime and asked victims and their families for forgiveness on behalf of the nation.[53] Aylwin ordered the erection of a monument—a Memorial Wall—to honor the dictatorship's political victims and the *detenidos-desaparecidos*.[54]

These presidential decisions struck at the heart of the transition to democracy. The military and its civilian allies were against "re-opening the wound of the past" as a matter of principle and convenience. On March 28, 1991, the president convened a meeting of the Consejo de Seguridad Nacional with leaders representing the armed forces to discuss the potential effects of the Comisión Rettig findings.[55] The four branches of the armed services protested against what they saw as a campaign to destroy the prestige of the armed forces as an institution. They argued that the commission's work had been carried out in a partisan manner. They also invoked the historical argument that between 1973 and 1978 Chile had been in a "state of war." This interpretation meant that actions like the capturing, kidnapping, interrogation, war counsels, and executions that ensued were to a great extent justified. In their own eyes, they had saved the Chilean nation from Communism and social chaos.[56] This argument provided the rationale for the promulgation of the 1978 Amnesty Law, which protected the perpetrators of human rights violations between 1973 and 1978.

A majority of Chilean citizens—roughly the 56 percent that voted "No" in the 1988 plebiscite—contested this view. According to the Catholic Church's *Vicaría de la Solidaridad* and to domestic and international human rights organizations such as the Agrupación de Familiares de Detenidos Desaparecidos, Amnesty International, and the United Nations Human Rights Commission, Chile was not in a state of war from 1973 to 1978. Instead, the Chilean armed forces carried out a coup d'état against a democratic regime and then engaged in the systematic extermination of people who were connected to that regime or those who protested against the military takeover.[57]

The stage was set for these fundamentally opposing views of Chilean history to evolve into conflictive political events.[58] On April 1, 1991, a couple of weeks after the publication of the commission's findings, the guerrilla group FPMR avenged the dictatorship's victims by assassinating Jaime Guzmán, the most influential leader of the military regime and then of the UDI.[59] He was not only an influential senator, he was also a symbol of the moral values and the institutions that the military regime had erected. After this event, the military considered intervening to clamp down on any potential for a wave of terrorism in Santiago. Likewise, Guzmán's assassination served as an excuse for the military and its civilian allies to refuse any further debate about the Comisión Rettig's work.[60]

The publication of the Commission's final report also struck at the heart of Chilean institutions. The judiciary was criticized for its "lack of moral courage" in the face of a great number of claims of human rights abuses during the years of dictatorship. The Supreme Court was criticized for halting appeals against court rulings that spared human rights violations.[61] Even more surprising was the constitutional accusation that ten legislators from the Concertación presented against several Supreme Court justices. The accusation was based on the "notorious neglect of duties" and the continuous "obstruction of justice" that these members had demonstrated. In only four days, following arduous negotiations between Concertación and RN legislators, the accusation prospered in both the Chamber of Deputies and the Senate. It precipitated the fall of Justice Hernán Cereceda in December 1992.[62] Cereceda and Hugo Rosende had been the army's closest justices in the Supreme Court. Their role had been pivotal in keeping the judiciary's power at the service of the military. Despite the formal complaints of Pinochet and other commanders, this ruling against the judiciary stood.[63] In this instance, the permanence of state institutions and state personnel from the military regime sparked irruptions of antagonisms during the early post-transition years.

The worst effect that the human rights conflict posed for Chile's dual transition was the potential destabilization and breakdown of the new civilian regime. The military engaged in displays of force and intimidation to dissuade the new authorities from addressing human rights abuses. In May 1993, while President Aylwin was on a diplomatic mission in Eastern Europe, the army assembled troops in combat gear in central Santiago. The event was directed "against the investigation and possible prosecution of military officers for human rights violations and against further investigations into Pinochet family's business affairs."[64] It achieved its objective, albeit indirectly. Aylwin tried to diffuse this political crisis by negotiating with Pinochet. He submitted legislation to Congress proposing the appointment of special judges to accelerate investigations and proceedings for pending cases of human rights abuses as well as closing further investigations. After massive protests from human rights organizations and Concertación legislators, the legislation was rejected in Congress.[65] Through these means the military were able to highlight the relative weakness of elected civilian authority vis-à-vis the military establishment, even after they had left government and returned to their barracks.

Aylwin's government was unable to settle once and for all the delicate issue of human rights. The main source of political antagonisms for the new regime was thus handed down to the next Concertación government, headed by Eduardo Frei

Ruiz-Tagle. Human rights were a central political issue that underscored the potentially strong antagonisms that lay at the heart of the Chilean transition to democracy. It reflected the fractured condition of Chilean historical memory, of the institutional foundations of the new political order, and of society as a whole.[66] In turn, this historical fracture showed the latent politico-economic antagonisms and instability that the internationally acclaimed Chilean model of dual transitions could house. As a critic of the new restricted democracy/neoliberal model remarked, "Viewed from outside the secret of Chile's success today is that the surface of things appears calm. But latent conflicts and turbulence lurk deep inside."[67] This was particularly the case in the early and mid-1990s. It seemed as if Chile's restricted democratization and its highly praised market-oriented economy suffered from a " 'conspiracy of consensus' originating among the political elite, but permeating the whole society."[68]

Consolidating the Foundations of Politico-Economic Synergies

Aylwin's presidential years were a delicate balancing act in which power, mutual accommodation, impositions, and the development of trust put Chilean governability to a hard test. The prevalence of politico-economic synergies was accompanied by irruptions of antagonisms from 1990 to 1994. Such antagonisms were particularly dangerous because they were nested at the heart of Chile's new political settlement, which had meant the acceptance of the 1980 constitution and the *proceso de amarre* reforms. These antagonisms also reflected a submerged, long-term battle over the historical memory of one of the most dramatic revolutionary periods in Chilean history.

On top of this, the irreconcilable reactions to the sensitive issue of human rights violations showed how deeply conflict over basic political and moral values lay at the heart of Chile's democratization and internationally praised economic model. Still, by the time Eduardo Frei Jr. succeeded Aylwin as Chile's president, the foundations of relatively stable and predictable rules and norms of politico-economic engagement in post-authoritarian Chile had been firmly grounded.

Eduardo Frei Jr.'s Presidency: De-Politicization in a Globally Integrated Economy, 1994–2000

The comfortable victory of Eduardo Frei Ruiz-Tagle in the December 1993 presidential elections reinforced the Concertación's political strength. It provided the center-left coalition with a successive term in government. It also reinforced

the existence of a two-bloc electoral landscape in the country. It even showed the persistent relevance of political dynasties in Chile. From the perspective presented here, the most important factor it highlighted was that an absolute majority of Chileans had voted for the continuation of the project of gradual reforms to restricted democracy coupled with the pragmatic, market-oriented economic policy that Aylwin's government had implemented.

Frei's presidency inherited the basic politico-economic trends of prevailing synergies punctuated by short-lived irruptions of antagonisms. On the economic front it inherited a robust, dynamic economy with the best performance in the entire Latin American region. Moreover, the Aylwin government had addressed in part the social debt, which the 1970s and 1980s economic restructuring under Pinochet had produced.[69] Thus, Chile's economic and social policies both were put forward by academics and politicians the world over as examples to be emulated by countries undergoing dual transitions.[70]

The persistence of synergies has to be seen, again, against the backdrop of institutional stability and gradual, consensus-driven politico-economic change. Antagonisms, however, still punctuated the otherwise stable and predictable political process in Chile. In particular, new antagonisms appeared within the governing Concertación coalition. They also irrupted in the Supreme Court and the justice system, reaching a dramatic symbolic zenith with the arrest of Pinochet in London in October 1998. Political confrontation over constitutional reforms, continued shows of military force to limit the decision-making autonomy of the government, and strong confrontation over human rights persisted.

By the end of Frei's presidency in 2000, Chile had experienced a decade of politico-economic synergies facilitated by the post-1990 institutional design of restricted democracy and market-oriented economy. Short-lived irruptions of antagonisms punctuated this stable and peaceful dual transition trajectory. But Chilean society, traditionally highly politicized, had also become less engaged, and the emphasis of politicians and the public alike seemed to have shifted from the pursuit of political ideals and principles to solving citizens' everyday problems through good management and technical expertise. Given Chile's traditionally vibrant political culture, this came as a surprise.[71]

A Robust Economy: Stability amidst External Shocks

A key element that guaranteed the prevalence of strong politico-economic synergies during Frei's government was the continuation of orthodox macroeconomic management. Former minister Foxley's objectives of "low inflation, a

balanced budget, and a sustainable balance-of-payments deficit" were taken over by the new economic cabinet headed by Treasury Minister Eduardo Aninat and Economy Minister Alvaro García. Policy and cabinet coherence were necessary elements to sustain domestic and international confidence.[72] Importantly, they helped the heterogeneous Concertación to rally around a set of common policy guidelines. In contrast to the coherence the economic cabinet had gained over economic policy, the political cabinet was prone to internal disagreements and quarrels during Frei's administration; it was an important source of antagonisms during his government.[73]

The Frei administration's catchword became "modernization." Some commentators called it a "government of engineers," both an accurate description of the engineer-majority cabinet and an allusion to the cabinet's emphasis on the construction and modernization of infrastructure.[74] Good economic conditions helped to raise investment from 27.1 percent of GDP in 1994 to 32.3 percent in 1998, and to carry out this objective in a satisfactory manner. To some observers, this was part and parcel of Chile's economic success in the 1990s.[75] To others, it was an overstatement, serving only to conceal the determination to maintain a budget surplus that limited the public promotion of productive activities. Efforts to keep inflation at bay through high interest rates and a strong currency affected exports and made further investment unattractive.[76] The president himself identified infrastructure investment in his last presidential speech on March 9, 2000, as one of his government's "revolutions."[77] But public opinion, unconvinced about government economic policy in the domestic front, considered it mediocre.[78] That opinion evidently did not trouble to compare Chile's economy with those of other Latin American countries in the same period.

Except at the very outset, strong economic performance during Aylwin's government had been facilitated by good international economic conditions.[79] In contrast, the Chilean economy confronted two external shocks during the second half of the 1990s. In spite of these shocks, the economy was mildly affected by the first one, managing a soft landing with the preservation of macroeconomic stability and a quick resumption of growth and falling inflation rates after the second one. These experiences, particularly when contrasted with the performance of other big Latin American economies, underscored the enduring robustness and dynamism of the Chilean economy.

The first external shock was the "tequila effect," produced by Mexico's financial crisis, which started in December 1994.[80] This external shock adversely affected the big Latin American countries' foreign capital markets. For example, drastically reduced foreign inflows and a chronically high current account deficit

sent Argentina into recession in 1995. In contrast, in Chile even though portfolio investment slipped from 1.7 and 1.9 percent of GDP in 1993 and 1994, respectively, to practically zero in 1995, the economy was able to preserve macroeconomic stability and to sustain high economic growth rates coupled with falling inflation during the next three years.[81]

The second external shock occurred as a consequence of Southeast Asia's regional financial crisis, triggered in July 1997. This shock severely affected the Chilean economy along with giants like Russia and Brazil. In Chile, Minister Aninat coordinated adjustment efforts with Carlos Massad, president of the Central Bank, to counter such negative effects as trade reductions and potential capital flight. But it was not until September 1998 that an orthodox adjustment, advised by the IMF to the treasury ministers and Central Bank presidents of several Latin American countries, was thought to be necessary. At that time, restrictive fiscal and monetary policies, cuts in tariffs and capital controls, sharp increases in the interest rate, and expansion of the exchange rate's floating band were all implemented.

In Chile, the actions showed a clear benefit even though the economy went into recession in the last quarter of 1998. The 4.1 percent reduction of output during that quarter was the highest since August 1983. In turn, the need for high interest rates to finance an increasingly large current account deficit—rates went from 8.5 percent in August 1998 to 14 percent in September, the highest in the decade—contributed to a sharp overvaluation of the peso and reinforced downward pressure on domestic activity. Nonetheless, these short-term measures prevented a balance-of-payments crisis, devaluation, and a potential inflationary spiral. Critiques of orthodox adjustment correctly highlighted its costs in terms of the sacrifice of economic activity, wages, and employment.[82]

Looked at from a long-term and comparative perspective, the caution of Chile's policymakers paid off with the preservation of macroeconomic stability. Unlike Argentina, whose economic recession starting in 1999 and the collapse of its economy at the end of 2001 exploded into the massive social protests that led to the fall of President Fernando De la Rúa's government, Chile preserved enviable macroeconomic stability and good international credit. Even in the face of regional and world recession (2001–03), foreign investors' risk perception about the Chilean economy remained positive and unaltered. In 2001, economic growth rates in Chile remained the highest among Latin America's emerging markets.[83]

Commenting on the collapse of Argentina and the threat of a new destabilizing cycle affecting other countries in the region at the start of 2002, the *Financial*

Times highlighted Chile as an island of stability. The paper's judgment on contemporary dual transitions in Latin America, what it called "the shift towards democracy and the economic reforms of the early 1990s," was that they had "generated disappointing results." But the situation was not hopeless: "One country, Chile, appears to have broken out of the cycle and others (dare one hope, including Mexico) may be in the process of doing so."[84]

Good crisis management in Chile did not go unnoticed in international circles. Chile remained the Latin American country with the best risk investment grade from global groups such as funds and pension managers.[85] From 1994 to 1997, foreign investment grew in real terms; during the same years, it fell significantly in Argentina and Mexico. The major component of this growth occurred in foreign direct investment (FDI), which went from 3.2 percent of GDP in 1994 to 5.0 percent and 4.4 percent in 1996 and 1997, respectively.[86] These facts helped to strengthen politico-economic synergies in Chile from the mid-1990s into the twenty-first century.

Institutional Stability: A Blessing or a Curse?

The Frei administration inherited institutional stability. Consensus politics was its corollary. Economic stability amidst external shocks was therefore not simply the result of cautious macroeconomic management. Stable political institutions also helped to preserve the politics of two stable coalitions as well as the incremental policymaking process. In turn, incremental change helped to lengthen actors' expectations amidst the turbulent international economic conditions of the late 1990s and the early 2000s.

Regime institutionalization is highlighted here as the key feature that allowed governments in both Chile and Mexico to contain politico-economic antagonisms and further synergies during their dual transitions. In contrast, antagonisms took the upper hand at times and led to episodes of hyperinflation or interrupted presidencies in countries such as Argentina, Bolivia, Brazil, Ecuador, and Peru.

Regime institutionalization under the 1980 constitution narrowed but stabilized the Chilean political process in the 1990s. The narrowing of the political process helped to avoid polemical governing styles that bypass the legislature such as *decretismo* or plebiscitarianism, traditional temptations in Latin America. Chile was thus able to enjoy a crucial benefit that effective political institutions provide: "the stabilization of agents/representatives and their expectations, [and] the lengthening of actors' time-horizons." Or, more formally:

> The stabilization of agents and expectations entails a time dimension: institutionalized interactions are expected to continue into the future among the same (or a slowly and rather predictably changing) set of agents. This, together with a high level of aggregation of representation and of control of their constituencies, is the foundation for the "competitive cooperation" that characterizes institutionalized democracies: one-shot prisoner's dilemmas can be overcome, bargaining is facilitated, various trade-offs over time become feasible, and sequential attention to issues makes it possible to accommodate an otherwise unmanageable agenda.[87]

Indeed, incremental policymaking during the 1994–2000 period in Chile can be seen as the corollary of the competitive cooperation approach. But it is also the case that in Chile the price of predictability was relative institutional rigidity. This created latent political conflicts that irrupted every so often into antagonisms throughout the 1990s.

Political disagreement about Chile's political institutions remained at the fore between 1994 and 2000. The executive, the coalitions in Congress, the courts, and the military actively participated in the controversy over the permanence or change of political institutions. The restricted democratic regime spelt out in the 1980 constitution produced a cleavage between advocates of "full democracy" and of "restricted democracy." During Aylwin's presidency, constitutional bills to move toward a full democracy were rejected twice in the Senate. Moreover, the rejection of these reforms was accompanied by military shows of force.[88] These situations, which sparked irruptions of antagonisms, persisted during Frei's presidency.

For example, in August 1995 the government sent a constitutional reform bill to Congress. It included the elimination of the designated senators; changes to the appointment procedures in the Tribunal Constitucional and the Consejo de Seguridad Nacional; reform of the Armed Forces' organic law; and a proposal to accelerate judicial procedures against military officers. Even politicians of the center-right, including Allamand of RN, thought that this could have been an opportunity to bring the transition to democracy to a close.[89] But again, even though the Concertación and RN formed a broad front to vote in favor of the reform, the UDI, still openly pro-Pinochet in those days, vetoed it in the Senate. Once again, an appointed minority was able to defeat a constitutional bill even though it was proposed by the president and backed by an overwhelming majority in Congress.

Public opinion surveys in 1995–97 consistently showed that two-thirds of the country backed reforming the constitution.[90] In March 1997, the president again sent a more modest constitutional reform bill to Congress. It included only the

end of appointed senators. Again RN and UDI disagreed about it. RN voted with the Concertación in favor of the reforms. All UDI senators and all appointed senators voted against it. Again, the bill was defeated. This new defeat clearly showed the limits of the democratic Chilean government's ability to make decisions in the face of extra-representative constraints. It also showed that the 1980 constitution's rules allowed the second minority party of the right in Congress to impose a restricted democracy. Rigid, impermeable regime institutionalization was thus also a potential source for sparking the irruption of antagonisms.

Persistent Antagonisms: Human Rights and Shows of Force

The battle over justice and human rights remained the most explosive issue between 1994 and 2000. Frei was more conservative than Aylwin with respect to human rights violations. Wary of previous shows of force by the military, he tried to de-politicize the issue by circumscribing it to the judiciary, but loud and strong opposition by civil society groups forced the government to seek a compromise. The 1995 constitutional reform bill tried to achieve this by accelerating legal procedures, particularly in the cases of the *detenidos-desaparecidos,* in exchange for prosecutions being limited to human rights abuses committed between 1973 and 1978.[91] But the attempt was defeated in the Senate, as we have just seen. The issue again polarized the Chilean political camps. RN and UDI disagreed, thereby splitting the right on this issue. Even members of the Concertación, particularly PS and PPD but also DC legislators, thought that Frei should not have backed down from such a crucial issue for the new democracy. Moreover, public opinion surveys in the early years of Frei's presidency consistently showed that more than 75 percent of Chileans favored the continuation of investigations into human rights violations.[92]

Connected to the human rights issue were the persistent shows of force by the military. In March 1994, sixteen former police agents were convicted in the *Caso Degollados* ("the case of the slit throats"), which involved the murder of three members of the Communist Party in 1985. Carabinero chief General Rodolfo Stange was charged with obstruction of justice. President Frei asked the general to resign, but he refused. "Stange played out a cat-and-mouse game with the government for more than a year, in the bright glare of the national media, before finally resigning 'voluntarily' in October 1995."[93] Adding mockery to insult, the general was included in UDI's candidate list for the 1997 legislative elections and was duly elected senator.

Greater shows of force were executed with respect to the ratified jail sentence

pronounced in May 1994 against General (Ret.) Manuel Contreras, DINA's ex-chief, and Colonel Pedro Espinoza. They were found guilty of plotting the assassination of former minister Orlando Letelier and his assistant in Washington, D.C., in September 1976; to avoid antagonizing the U.S. government, the Chilean military had explicitly left this case out of the 1978 Amnesty Law. In reference to this case, the court declared that "a will to systematically exterminate certain categories of people prevailed in the DINA: particularly those who were considered politically dangerous."[94] The military establishment was outraged by this declaration. Shows of defiance and intimidation followed, including the mobilization of military units to arsenals in Batuco; the resistance of Contreras through admission as a patient to the Naval Hospital of Talcahuano in June 1995 to avoid legal proceedings; and a military show of support outside the Punta Peuco jail, where both convicts were finally interned.[95]

The persistence of irruptions of antagonisms that could destabilize Chile's political as well as economic spheres was a real threat at the time. Such events involved the international, state, regime, and civil society levels. Thus, even though they were short-lived, they also were pervasive and potentially radicalizing.

New Antagonisms: Cabinet Instability and the Reform of the Supreme Court

Not only did previous antagonisms remain alive during Frei's government, but new ones also appeared. "Third wave" democratization studies have not yet analyzed the effects of same party (or coalition) succession politics in new democracies. In light of the perspective offered here, the Aylwin-Frei succession was relevant because it became a new source for potential politico-economic antagonisms during the 1994–2000 period.

Succession politics played a role in the decisions as to which individuals and groups of the three major coalition parties (PS, PPD, PDC) would become members of the Concertación's second government. An intra-Concertación void became visible because Frei had had no party experience beforehand. He had been a successful businessman whose pedigree, as the son of former president Eduardo Frei Montalva, had almost inevitably catapulted him to the Concertación's presidential candidature.[96] The presidential succession process is vividly described below:

> *Concertación I* team, under Aylwin, worked hard to produce a soft landing inside the government of the *Concertación II*. . . . La Moneda looked for its backbone policies'

> continuation: military and communications; human rights; state modernization; relations with business and trade unions . . . maybe they just simply wanted to strengthen the *Concertación* . . . but some observers considered this to be a Trojan Horse operation to tie-up the new executive's hands.[97]

As the elections approached, Aylwin and Frei became chieftains of different political groups within the DC. Hence, cabinet formation and broader intra-Concertación quotas politics became real problems for Frei. The future secretary-general of the presidency, Genaro Arriagada, had to confront these pressures. He "provided cabinet presence to some of the leaders of all the *Concertación*'s parties . . . and reserved the nucleus of decision-making to the president's three most trusted advisors," that is, himself, Carlos Figueroa, and Edmundo Pérez Yoma. But both the system of quotas and the abrasive style of the president's closest advisors created disruptive competition and a lack of coordination in the cabinet. Unlike Aylwin's cabinet, "which virtually finished intact and only suffered one ministerial crisis, . . . Frei's cabinet faced three disruptive crises."[98] Cabinet instability was fortunately confined to the political sphere. As was seen above, the economic sphere enjoyed a peaceful change of government and enviable stability throughout Frei's administration. Nonetheless, at the time these crises raised doubts about the Frei government's capacity for control and effectiveness.

One of the most explosive institutional issues during the 1994–2000 period was the deep crisis and subsequent reform of the Supreme Court. This situation was clearly a potential source of politico-economic antagonisms. Institutional unaccountability, corruption, and an untrustworthy justice system were at odds with both political democracy and an open, market-driven economy. In the mid-1990s, Chile's Supreme Court did not meet the minimum standards to be the bearer and enforcer of the rule of law in the country. The Court inherited pro-Pinochet personnel after 1990, and both the Aylwin and Frei governments had to face this inheritance.

Aylwin's single attempt at judicial reform in 1990 gave rise to vehement opposition, and the situation only started to change in December 1992, when three justices were accused in Congress by a group of the Concertación's legislators. They were charged with "notorious neglect of duties" in human rights cases. The Chamber of Deputies approved all of the charges. Meanwhile, in the Senate the weight of the "minimum winning coalition" of appointed senators was felt. The Senate rejected all but one of the charges, which was related to corruption, not neglect of duties. As a consequence, one of the justices had to resign, not a negligible outcome. The magistrate who resigned was Hernán Cereceda, the

unofficial leader of pro-Pinochet justices in the Supreme Court. Moreover, "never in more than one hundred and twenty years of independent life, had a Supreme Court minister of the Republic of Chile suffered destitution."[99]

Despite these advances against one of the strongest legacies of military rule, few observers expected Frei's government to preside over a deep judicial reform. However, precisely such a process started in July 1997, when the media exposed Servando Jordán, the Supreme Court's president, accusing him of partiality in sentences related to drug traffickers. Moreover, a group of UDI deputies gave legal cause to it by presenting a constitutional accusation against him—the charge was again "notorious neglect of duties."[100] The constitutional accusation, however, could not move forward due to a tie vote in the Chamber of Deputies, where a majority was required.[101] Still, this event had a profound impact on public opinion. President Frei and his minister of justice, Soledad Alvear, exploited public opinion support for judicial reform and produced a Supreme Court reform bill.

Supported by strong public opinion, the bill was passed by a comfortable majority in Congress. The reform put the retirement age of justices at seventy-five. As a consequence, the most senior justices, appointed by Pinochet and opposed to full democracy's reforms, had to resign. The reform also increased the number of justices from seventeen to twenty-one and reserved five seats for nonmembers of the judicial branch. Destined to open up the judiciary in order to make it a more accountable, transparent institution, these measures accelerated judges' circulation in the Supreme Court. Pro-Pinochet justices gave way to younger, more liberal-oriented ones. Only four of the seventeen Pinochet appointees were still in place by the end of the decade.

The reform of the Supreme Court showed that the Chilean government was capable of engaging in gradual political change that weakened the authoritarian enclaves and moved Chile closer to a full democracy. In turn, bold political reformism helped to transform an institutional source of politico-economic antagonisms into a source of potential synergies.

Social Malaise in End-of-Century Chile

Another trend during these years was the increasingly widespread impression that the strengthening of the free market institutions and mentality in Chile was taking place at the expense of the cause of full democracy. As a source of antagonisms, this time at the civil society level, this view challenged Frei's government.

The president's relative mildness, particularly with respect to restricted democracy and human rights prosecutions, gave way to public disenchantment and criticism. Moreover, his administration's emphasis on "modernization" made it look as if it had willingly taken on the "restricted democracy" associated with the military and their civil supporters. It was not a surprise that in 1996–97, political and social analysts started to talk about *el malestar* in Chile—a phenomenon identified with "the population's loss of interest in politics."[102] This was underscored by surveys that showed an apparent distrust, cynicism, and disaffection toward politicians and political parties in the population. These attitudes came as a great surprise, as Chile has traditionally been widely regarded as a country with an engaged, participatory political culture.

The fall in participation particularly affected young people. Party identification, traditionally very strong in Chile, also decreased significantly—from 81 percent in 1991 to 58 percent in 1996—and, very importantly, the image of political institutions worsened considerably. Several surveys showed that political parties and the Congress were the most poorly rated institutions in the country, which ultimately reduced the likelihood that Chilean society would place strong pressure on the government through the party system and other forms of civic participation to fight for the reform of restricted democracy.[103] Some observers had argued that this type of political disenchantment was a normal socio-political element that actually helped to consolidate new democracies.[104]

Other analysts considered that the revolutionary economic liberalization that Chile had gone through from the mid-1970s to the mid-1990s—an analytical perspective that considers the military and the new democratic regime's political economy as more similar than different—had transformed Chile along the lines of an American version of liberal democracy. In this last diagnosis, *el malestar* in Chile was not an anomaly, but a citizenry's normal evolution toward depoliticized, private-consumer-oriented liberal democracy. The radical critique of neoliberal Chile argued that the country had become a system whose "logic of social integration lies at the level of 'exchange,' instead of at the level of 'politics' . . . that is, it lies in the mechanisms of the market rather than in those of participation through citizenship. . . . The figure of 'political man,' oriented toward public issues, is replaced by the figure of the atomized individual, oriented toward private goals."[105] Analysts who highlighted goals such as economic productivity, growth, and efficiency took the opposite view. To them, the left's criticism about the new Chile was one of its virtues. A de-politicized, privacy-oriented polity would actually help to strengthen politico-economic synergies. According

to this perspective, the model of restricted democracy is better because it protects the people against themselves; it remains above partisan politics and depoliticizes the economic and social spheres.

The existence of such strongly defined intellectual and ideological rival camps in Chile reflected part of the complexity of the country's dual transition process. The left and the right continued to highlight opposite dimensions of Chile's dual transition (the ideals of participatory democracy or unfettered markets, respectively) to further their own camps' vision about the country's future destination.

The Pinochet Factor and the Prevalence of Gradual Politico-Economic Change

A dramatic event changed the dynamic considerably toward the end of Frei's presidency. British authorities arrested Senator Pinochet in October 1998 while he was convalescing from a back operation performed in a London hospital.[106] The arrest, made on behalf of Spanish judge Baltasar Garzón, put the issue of human rights violations perpetrated by the military in Chile during Pinochet's dictatorship in the international headlines. Some analysts considered this event to be the most evocative of all the irruptions of memory during the Chilean transition.[107] It produced important sources of both synergies and antagonisms in the domestic and international scenes.

On the one hand, the arrest of Pinochet in London occurred only six months after he stepped down following twenty-four years as commander-in-chief of the Chilean Army. By constitutional mandate, he had become senator for life, an event that polarized the opinions of Concertación's leaders and the public at large.[108] In particular, Frei exacerbated public opinion when he opposed a constitutional accusation against Pinochet, which was promoted in Congress by deputies of his own party, the DC. The president stated that he would not support any position that might inflame political conflict in Chile.

Pinochet's arrest in London was the spark that reignited political conflict in the country.[109] The most disruptive reaction was the Chilean military command's response to the event. The right voiced concerns about the potential destabilization of the country. Frei's government gave in to pressure from the military and "permitted a virtual co-government with the Armed Forces with respect to the Pinochet issue through the National Security Council."[110] Again, the government's decision-making capacity was limited by one of the constitution's authoritarian enclaves in one of the most sensitive issues of the transition to democracy. To add to this pressure, this event occurred near the November 12, 1999, presi-

dential elections in Chile. Frei's decision to throw his government's support behind immediate repatriation of Senator Pinochet—a position that cut against both domestic and international public opinion—illustrated the weight of the Chilean military command. Moreover, it illustrated the president's fear of arousing civil-military conflict during a politically vulnerable year.

Pinochet's arrest in London not only produced tensions and conflict—it also produced the establishment of a discussion table between the government and the military command to promote a discourse change in the armed forces. The so-called *Mesa de Diálogo* was pushed further by Frei's successor, President Ricardo Lagos. Despite leaving many members of both political camps dissatisfied, the *Mesa* was successful inasmuch as the military accepted the impossibility of achieving national reconciliation without truthful knowledge about the human rights violations perpetrated during the dictatorship.[111] Distension of civilian-military relations was furthered even more by the replacement of Pinochet as commander-in-chief by General Ricardo Izurieta in March 1998. Izurieta was a representative of a younger generation in the armed forces who had not been a member of the *pinochetista* circle and who enjoyed a good relationship with members of the Concertación.[112]

On the international front, Spanish judge Baltasar Garzón's extradition petition of Pinochet to the British authorities produced a diplomatic confrontation that pitted Chile against Great Britain, Spain, and other European Union countries such as Belgium and France. The world media concentrated its headlines on the case for more than a year. This forced a new judicial battle in the field of human rights in Chile, as it also did more generally in other countries with recent histories of human rights abuses.[113] Was the case about the abuse of Chilean "national sovereignty" by Great Britain and Spain, as Pinochet's defenders claimed? Or should an "international law precedent" be consummated to legitimize extra-national instances involving individuals who commit crimes against humanity in the future, as those who favored the general's extradition argued?

The high international profile of the case had obvious domestic repercussions in Chile. The most relevant was "the Chilean judiciary's helm-steering by reopening and accelerating human rights violations processes, including those in which Pinochet himself was involved."[114] This decision showed the weight that a proactive international and domestic public opinion could have in this most sensitive and potentially destabilizing issue of Chile's dual transition. The intense media attention that the event received forced political groups to voice their views. For example, sympathizers of the Chilean right adhered to the position that "the trial against Pinochet was a political vengeance against the person who helped to

destroy the Marxist myth. The Left would never forgive him for having been the first to remove from power a communist regime."[115] The Chilean Army reacted by publishing on its webpage a defense of "the return to Chile of Captain General Augusto Pinochet Ugarte."[116] People on the left adhered to the view that "Pinochet has to be judged in Spain to make progress against impunity, and as an example against the treachery and tyranny of all dictatorships."[117]

Finally, the international ebb subsided after a tortuous legal process in Great Britain concluded with Home Office Secretary Jack Straw's resolution that Pinochet was unfit, on grounds of personal health, to stand trial. Pinochet returned to Chile, and the Supreme Court lifted the senator's congressional immunity, which allowed Judge Juan Guzmán to investigate the accusations against Pinochet. Chileans remained deeply divided about the Pinochet factor. Asked in a July 2000 poll if the problem of the *desaparecidos* was important or not, 67 percent said it was, and 27 percent that it was not. Asked if the government should continue with its policy of trying to solve the human rights issue, 47 percent agreed that it should, and 44 percent said that it should not (82 percent of UDI voters).[118]

When the Socialist Ricardo Lagos won the second round elections of early 2000 and became Chile's president on March 11, 2000, the country had come full circle. The first Socialist president since Allende now sat at La Moneda. Soon after his electoral victory, he declared to the Spanish daily *El País* that "the transition has not finished yet."[119] The new president's attitude was at odds with his predecessors' more conciliatory views, but Chile was a very different society from the one it had been in 1970. Advancing toward "full" rather than remaining with a "restricted" democracy had come to be seen as a gradual enterprise about which both center-left and center-right had to agree. Having reached such agreement, President Lagos was finally able to implement a major constitutional reform in October 2005, according to which the remaining authoritarian enclaves were removed from the 1980 constitution. After fifteen years of civilian rule under tutelage, Chile finally rejoined the community of full democracies, of which it had been a proud representative until the 1973 military coup.

Conclusion

The reforms enacted during the *proceso de amarre* (1988–90) secured the prevalence of the new Chilean polity, which was structured by conservative constitutionalism (the restricted democracy set out in the 1980 constitution) and neoliberalism (a mixed economy under the preponderance of free market allocation).[120] This key

compromise, this incapacity for either of the two camps to impose its vision and national project for Chile's future on the other, gave Chile's dual transition in the 1990–2000 period its most distinctive and lasting characteristics.

Between 1990 and 2000, stable political institutions and moderate political actors' behavior became the key shaping forces behind the politico-economic synergies in Chile. These factors were reinforced by centripetal elements. In particular, the good macroeconomic performance of the neoliberal model in Chile and the international community's strong support for liberal democracy, particularly after the demise of Communism (1989–91), contributed to the strengthening of synergies. In the last instance, this led to the creation of a virtuous cycle in which the political and the economic processes strengthened each other.

Synergies were furthered foremost by the consensual and incremental dynamics induced by the restricted democracy/open economy Chilean polity. The center of gravity of Chilean politics in the 1990s was tightly structured by its political institutions. The state level (the 1980 constitution) and the regime levels (the multiparty system dominated by two broad, relatively stable coalitions) became the anchors around which politico-economic synergies developed in the last decade of the twentieth century. These were the defining elements for the prevalence of politico-economic synergies over antagonisms such as the military's shows of force, conflict over the human rights violations that had occurred during military rule, and the Pinochet factor. Compared with Chile's consensus-driven, incremental politico-economic change between 1988 and 2000, Mexico's politico-economic trajectory was more unstable and punctuated by end-of-*sexenio* politico-economic crises in 1987–88 and 1994–95. During this period, Mexico, unlike Chile, also suffered instances of political violence at both the elite and popular levels. And yet, Mexico shared with Chile strongly institutionalized political rule. Despite Mexico's cyclical crises, overall political activity and economic policy still occurred within the institutional channels that structured the timing, scope, and extent of potential politico-economic change. The analysis of these events is the subject of the next chapter.

Mexico in North America, 1988–2000

The Reign of Neoliberalism and the Defeat of the PRI

The process of Mexico's dual transition between 1988 and 2000 did not show the stability of the Chilean process. Mexico was subjected to end-of-*sexenio* politico-economic crises in 1987–88 and 1994–95 that further eroded the hegemony of the PRI regime. The waxing and waning of politico-economic antagonisms in a six-year cycle between 1976 and 1994 over time discredited and de-legitimized the rule of the PRI at the same time that it strengthened the opposition's calls for political democratization. In particular, successive governments in Mexico after the 1982 economic debacle stabilized, adjusted, and restructured the Mexican economy along neoliberal lines. This type of crisis management, in reality the introduction of an open economy model, was unpopular, and the PRI was systematically punished in the ballot box between 1983 and 2000. The opposition's calls for political democratization coupled with the implementation of unpopular neoliberal policies strengthened each other and furthered the process of Mexico's dual transition.

Despite their many differences, Chile and Mexico shared the institutionalized political rule of their outgoing authoritarian regimes, which helped to structure and contain the pace and extent of political and economic change in the 1990s. In Mexico, the PRI regime and the opposition were unable to impose their views and force them on each other after 1988, but somewhat as in Chile, political leaders consistently engaged in mutually advantageous negotiations, which furthered the twin processes of political democratization and economic liberalization. Mexico's and Chile's institutionalized political structures (stable constitutional frameworks, regular electoral calendars, institutionalized party systems, and authoritative executive leadership) endured at the same time that they were reformed. The

demise of the authoritarian regime under Pinochet in Chile (between 1988 and 1990) and of the authoritarian regime under hegemonic PRI rule in Mexico (between 1988 and 2000) did not produce a *ruptura* or weakening of state institutions. If anything, the demise of the closed unaccountable authoritarian regimes strengthened the legitimacy of state institutions in Chile and Mexico because they gradually stopped being perceived as little more than instruments to help the authoritarian regimes stay in power.

The Salinas Presidency: Restructuring the Economy and Selective Political Opening, 1988–94

The crisis-ridden 1980s weakened the Mexican regime in an unprecedented way. After the PRI split in 1987 and the controversial elections of July 6, 1988, it seemed that such weakness might be accentuated. That perception soon vanished in the face of the strong personality and political will of President Carlos Salinas. While his predecessor, Miguel de la Madrid, was the caretaker of a crisis-ridden country, Salinas was impatient from the beginning to preside over a politico-economic revolution. His government's key objective was to reconfigure the Mexican political economy to make the country a world economic player. Such high ambition concealed the high stakes: there was much political and economic power to win or lose in the short term, particularly for the power bloc that assembled around the new president's project.

Salinas was conscious of the "dual transition" character of change that he wanted to lead. With the traumatic Soviet Union's dual transition process in mind, Salinas asserted early in his presidency: "When you are introducing strong economic reform, you must make sure that you build the political consensus around it. If you are at the same time introducing additional drastic political reform, you may end up with no reform at all. And we want to have reform, not a disintegrated country."[1] This affirmation highlighted the new government's concerns about the tradeoffs between economic liberalization and political democratization. Indeed, the government encouraged the former while at the same time imposing a tight and centralized process of selective political opening. Mexico's dual transition during the Salinas presidency thus unfolded in an apparently contradictory manner that would guarantee tension and conflict. The style was vertical and personalized, and it was carefully crafted and staged.

The bold Salinas agenda contrasts with the same years in Chile, where President Aylwin and the Concertación de Partidos por la Democracia presided over a fragile politico-economic equilibrium, and change assumed a gradual, consensus-

forged character. Salinas's presidency was more like the early years of neoliberal restructuring and the personalization of power in one person in Chile prior to 1982. In Mexico, as in Chile, the regime—under a strong leader—reconfigured the country's political economy and forged a new power bloc with the participation of technocrats, outward-oriented businessmen, and the state's coercive apparatus. Similar to the Chilean regime between 1973 and 1982, the Mexican regime under Salinas reconfigured the state to strengthen its capacity and tried to forge a new legitimacy based on political order and dynamic, export-oriented economic growth.

Likewise, both Mexico and Chile experienced contradictory relations with the United States. Civil and human rights groups based in the United States repeatedly condemned political authoritarianism in both countries while, at the same time, successive U.S. governments praised economic liberalization in Mexico and Chile. Mexico's key international development in this period was economic integration with the United States and Canada through the North American Free Trade Agreement (NAFTA), which went into operation on January 1, 1994.

A final key similarity between early neoliberal restructuring in Chile and in Mexico was that in the short term both led to financial disaster and harsh economic crisis in 1982 and 1994–95, respectively. The financial and economic crises of 1982 (in both Chile and Mexico) and 1994–95 (in Mexico only) dealt great blows to the legitimacy and the prestige of the political regimes in those countries. The crises sparked social mobilization, political dissent, and the strengthening of the opposition. The opposition became nested in high-spirited political parties, which demanded time and again the political right of free contestation and participation. The pressures to democratize eventually helped to shape the political side of the dual transitions in both countries when the military in Chile stepped down in 1990 and the PRI lost the presidential elections of 2000 after seventy-one years of uninterrupted rule. The economic side of both dual transitions was furthered, considering that from the late 1980s to 2000 and beyond, governments in Mexico (the De la Madrid, Salinas, Zedillo, Fox, and Calderón presidencies) and in Chile (the Pinochet, Aylwin, Frei, Lagos, and Bachelet presidencies) either implemented or retained market-oriented policies.

Reconfiguring Mexico's Political Economy

President Salinas's top priority as soon as he assumed office was to strengthen the regime's authority and restore its legitimacy, which was widely questioned after the controversial 1988 elections. He restored regime capacity in part through

strong leadership. Early on, he fostered the image of a strong leader by executing spectacular coups against powerful leaders of both the workers and the private business elite, both of which public opinion perceived as corrupt and accustomed to getting its way regardless of the consequences. (They were Joaquín Hernández Galicia—a.k.a. "*La Quina*"—the leader of the national oil industry's union, and Eduardo Legorreta, a high-profile financier.) After these coups the president's popularity soared in public opinion polls.[2] The president's basic strategy to restore state capacity in Mexico was the concentration and personalization of power, which he achieved successfully while in office.

Salinas also strengthened state capacity by showing leadership in economic management. The institutional pillar supporting it was in place since the establishment of the PSE, engineered by Salinas in his capacity as secretary of planning and his team, to address the 1987–88 financial collapse. The PSE produced good short-term results in terms of wage contention and the fall of inflationary pressures. Salinas retained it and simply renamed it the Pacto para la estabilidad y el crecimiento económico (PECE) once he became president. It was the basic coordination mechanism of private business, organized workers, and the state. Given its selection of wages as an inflationary anchor, the *pacto* was popular with the business elite but highly unpopular with organized workers. High economic coordination and massive inflows of portfolio investment (short-term financial incursions to the market of Mexican equities, bonds, and securities), following the Salinas policy of financial liberalization in 1989, led to Mexico's good short-term economic performance.

The business elite favored Salinas's neoliberal project. This was an important change in the context of the previous presidential successions. Unlike the crises of confidence sparked by Echeverría in 1976 and López Portillo in 1982, PECE gave the business elite assurances of orthodox macroeconomic management and a continuation of market-oriented reforms. Moreover, the business elite closed ranks behind Salinas once Cárdenas left the PRI and launched his center-left challenge through the FDN, which in 1989 became the Partido de la Revolución Democrática (PRD). Likewise, the center-right presidential candidate in 1988, the PAN's Manuel Clouthier, was a vocal critic of the PRI's long reign, and his criticism divided the private business sector. Local producers and small and medium businesses identified with his criticism. The outward-oriented business elite was more cautious, preferring to support Salinas for president and, later, his strategy of neoliberal restructuring.[3] The end result was that for the first time in twelve years, an incoming president in Mexico had the unconditional support of the business elite from the beginning of his *sexenio*.

The backbone of Salinas's market-oriented reforms was the privatization of state enterprises. Of particular importance to the business elite was the return of the banking sector to private hands. In the 1988 elections, the PRI lost for the first time in its history the two-thirds majority required in the Chamber of Deputies to amend the 1917 Constitution. Salinas had to forge an informal political alliance with the PAN to implement market-oriented reforms. The PRI-PAN alliance reformed the Constitution to privatize the banking sector. Between June 1991 and July 1992, eighteen banks were sold to private groups. The revenue from the sale of the banks together with the sale of the giant telephone monopoly Telmex alone represented more than 80 percent of the total revenue from all privatizations executed during the Salinas administration.[4]

Similar to the early phase of neoliberalism in Chile between 1975 and 1982, the high-liquidity, outward-oriented financial groups were the beneficiaries of the bulk of privatizations under Salinas. Highly diversified corporations encompassing banking, financial services, heavy industry, and services—similar to the Chilean *conglomerados*—resulted from the privatization process in Mexico. The officials in charge of privatization, *Secretario de Hacienda* Pedro Aspe and his undersecretary Guillermo Ortiz, claimed that it was a fair and transparent process. International observers also supported this claim.[5]

On closer inspection, the evidence showed that Salinas's underlying strategy, not unlike Pinochet's, was not simply to steer the Mexican economy toward the engine of private entrepreneurship but also to craft a new power bloc loyal to his person through the forging of a tightly knit politico-economic alliance. For example, the three largest banks, Banamex, Bancomer, and Serfin, which represented more than 70 percent of total banking assets in 1990, were sold to finance groups (Accival, Vamsa, and Obsa, respectively) with connections to President Salinas and his close circle.[6] Likewise, Telmex was sold to Carso, a conglomerate owned by Carlos Slim, a close associate of the president and of his brother, Raúl Salinas. The highly diversified, outward-oriented business groups, just like their *conglomerado* counterparts in Chile, were the great beneficiaries, while the domestic-oriented small and medium businesses bore the highest costs.[7]

On the other hand, similar to other neoliberal processes—Chile included—the Mexican one helped concentrate economic wealth. In 1991, the ten largest business groups in Mexico (out of a total of 119), including Telmex, Vitro, Alfa, Cifra, Desc, Cemex, and Bimbo, concentrated 61 percent of the private sector's total assets and provided 53 percent of the country's private sector employment.[8] The participation of the Mexican stock market in the country's GDP rose dramatically, from 5 percent in 1987 to 42 percent in 1994. In 1992, only ten corporate

groups concentrated more than 50 percent of the stock market's assets, while only three groups concentrated 76.5 percent of Mexican stocks sold in international markets, principally Wall Street.[9] The rise of economic globalization only benefited the apex of the Mexican business pyramid. Given their importance in terms of the economic activity they generated and the employment they produced, such groups became Salinas's key political allies.

A diametrically opposite relationship with the Salinas government awaited the organized labor movement. The historical alliance between the CTM and the state weakened after the 1988 elections. When Cárdenas left the PRI, many top labor leaders followed him.[10] As a response, President Salinas tried to replace the official workers' movement with "modern" trade unions. The political power of organized workers had also been weakened by the prolonged economic crisis. Neoliberal restructuring under Salinas weakened their bargaining position even further. The privatization process liquidated four hundred thousand unionized jobs.[11] In spite of the labor movement's economic weakness due to the prolonged post-1982 crisis, Salinas and later Zedillo, unlike Pinochet in Chile, did not reform the labor market (Article 123 of the Mexican Constitution and the Ley Federal del Trabajo being prime examples of corporatist, anti–free market legislation) because they were keenly aware of its remaining political clout as a disciplined voting bloc that could still turn against the PRI, as happened in 1988. The Mexican president did not dare to alienate the electoral support of workers for the PRI any further, perceived weakness or no. In this case, the strict rationalization and cost-benefit logic of neoliberalism encountered insurmountable political obstacles that Salinas did not dare to challenge, despite his strong personal leadership style.[12]

In contrast to the high political costs of reforming workers' rights, Salinas faced less organized opposition to his bold measure to liberalize the agrarian sector of the Mexican economy. The CNC, the official representation for the farm sector in the PRI, had traditionally been the weakest of the party's corporatist arms. Salinas avoided potential opposition to neoliberal reform by coopting independent peasant movements into a new organization called the Congreso Agrario Permanente (CAP). It included the twelve largest independent peasant organizations in Mexico, including radical ones like UNORCA and CIOAC.[13]

Toward the end of 1991, the president pushed to reform Article 27 of the Constitution, which regulates property rights in Mexico and was considered—along with Articles 3 and 123—the backbone of the Mexican Revolution's sponsored social rights. Article 27 established the *ejido,* a communal form of landholding that was granted by the state to the peasant communities, was held in common, and could not be bought or sold. Salinas's reform sought to liberalize land

tenure in Mexico through the introduction of the free market and the state's guarantee of private property rights. The reform also contemplated bringing to an end the politically popular *reparto agrario,* or land redistribution, started in earnest by Lázaro Cárdenas in the 1930s. To grasp the potential magnitude of Salinas's reform, consider that out of the 197 million hectares of arable land in Mexico in 1999, 103 million were *ejidos*.[14]

All the peasant groups in the CAP, apart from the official CNC, rejected economic liberalization in the Mexican countryside. The government compensated peasants in 1993–94 through a state-sponsored credit program for the countryside called PROCAMPO. The program canceled general subsidies for agricultural products and substituted them with targeted monetary injections for the country's eleven basic crops for the next fifteen years (1994–2009). The opposition repeatedly accused Salinas of setting up the program in part as an electoral tool to buy support for the PRI in the 1994 presidential elections.

Salinas pursued a policy that allowed him to re-craft the politico-economic power bloc in Mexico. This strengthened the regime temporarily. Capital, in particular the highly liquid, outward-oriented type was re-cast through the process of privatization, which created a new entrepreneurial elite (not unlike the *conglomerados* in Chile between 1975 and 1982). Trade unions and peasant organizations were weakened through economic restructuring: "The costs of the new model were disproportionately borne by labor, the peasantry and the marginalized . . . [as] an estimated 400,000 jobs disappeared during the 1980s, at the same time that the labor force expanded by 8 million."[15]

Forging a Neoliberal State?

Salinas's politico-economic project, like the military regime in Chile, did not only envisage the reconfiguration of the power bloc in Mexico. It also re-crafted the state by reinventing the formal and informal rules of the political system (constitutional reforms and the incumbent's personal style of presidential rule) and the state apparatus itself (rolling back state participation in the economy). The key difference between Chile and Mexico in this area was that in Chile the neoliberal revolution was cast into a new Constitution (1980) with rigid conservative/libertarian dimensions. In Mexico, the social liberal Constitution (1917) was reformed time and again in a liberal direction starting in 1985, but it was never substituted with a new one that established fundamental new political and economic principles—the ideas of restricted democracy and a market oriented economy—as in Chile.

Salinas passed constitutional reforms in Congress through an informal alliance with the PAN, to Articles 3, 27, 28, 82 and 130—the backbone of revolutionary nationalism. Equally important was Salinas's personal style of governance. He was the epitome of the instinctive political man: "the man who would be King."[16] His central aim was as much the modernization and globalization of the Mexican economy as the concentration and exercise of his own political power.

The reconstruction of a strong PRI regime also required changes to the apparatus of the state itself, the means through which the continuation of Salinas's project would be implemented and enforced. With respect to the centralization and the extrication of economic policy from popular pressures, Salinas abolished the SPP and fused public revenue and expenditure in the Secretaría de Hacienda y Crédito Público (SHCP), as it had been before 1976. The SHCP under Pedro Aspe was the key ministry for the implementation of consistent orthodox macroeconomic management and the forging of credentials with the international financial community.[17] SHCP was one of the legitimating touchstones of the government under Salinas. Through it he achieved the renegotiation of Mexico's external debt, which included a substantial reduction of capital. The economy was also reactivated, and inflation was tamed after two decades of chronic high inflation. It was also, together with the Trade Ministry (SECOFI), the means to achieving Salinas's most important politico-economic project: the implementation of NAFTA.

Salinas also sent legislation for securing the autonomy of the Central Bank from the government in 1993, a move that paralleled one of the military regime's constitutional reforms in Chile in 1989. This measure has been explained as a result of fear on the part of authoritarian elites that populism might overrun new democracies. In this context, incumbents of the outgoing military regime in Chile and the increasingly less popular PRI in Mexico "created autonomous central banks to lock in a commitment to price stability over the long haul."[18]

Salinas also tried to re-cast the legitimacy of the political regime through a new, highly visible, targeted, and participatory social policy. Underpinned by his Programa Nacional de Solidaridad, or PRONASOL, it was a key component of the reform of the state. Much has been written about this topic.[19] For the purposes of this argument presented here, PRONASOL can be understood as a poverty alleviation program that would also revitalize the regime's legitimacy in the face of neoliberal economic restructuring. It was Salinas's answer to the problem of building a new popular constituency for his politico-economic project of economic neoliberalism and selective political liberalization. It was one of the ways through which the government wanted to structure and to shape the dual

transition process in Mexico. *PRONASOL* was also used to strengthen PRI electoral support.

Salinas's combination of neoliberal restructuring and strategically targeted social spending was part of a broader, regional politico-economic phenomenon throughout the 1990s, identified by some authors as "the neoliberalization of Latin American populism."[20] Accordingly, several Latin American presidents during the 1990s undertook economic restructuring, and they did this by cultivating and encouraging populist images and strategies. Menem in Argentina, Cardoso in Brazil, Fujimori in Peru, and, of course, Salinas in Mexico all led ambitious politico-economic projects to transform their countries' economies along neoliberal lines. To do this, they had to implement not only orthodox economic policies but populist ones as well, because the key political challenge of neoliberalism in Latin America was the early creation of a core elite and popular constituency in favor of economic liberalization.[21]

The supporters of such projects assumed that after the early "transitional costs" of economic restructuring receded and the country's economy was back on track through dynamic outward-oriented growth accompanied by low inflation, the neoliberal politico-economic model would secure its own broad, long-term social base of support. But many political leaders in Latin America underestimated the depth, duration, and mass discontent of the "transitional costs" derived from economic restructuring. In Mexico, the battle for the PRI regime as well as party and electoral system negotiations during Salinas's government played a key role in the country's dual transition.

The Battle for the PRI Regime

Since the 1987–88 split of the PRI, the legacy of the regime—who are the legitimate heirs to the Mexican Revolution?—became a key topic of contention. The question addressed the key conflict between Salinas and Cárdenas, between neoliberalism and revolutionary nationalism. The PRI under Salinas had to respond to the popular challenge from the left. The president and his advisers tried to rekindle the legitimacy and popular support of the PRI and the government through the revival of the doctrine of "social liberalism."[22] This doctrine was articulated in Mexico by Jesús Reyes Heroles, and it was a response to the ideological and political challenge that the Mexican regime faced in the context of prolonged economic crisis in the 1980s.

Sustaining regime legitimacy through populism (1970–82) had led to the

state's bankruptcy and to Mexico's increasing dependence on international economic forces. The revival of economic liberalism, he claimed, would strengthen the Mexican state and in the long run would promote egalitarian social development. Salinas was thus responding to widespread criticism likening the neoliberal transformation of the Mexican economy to Porfirio Díaz's economic liberalism and political authoritarianism in the late nineteenth century. Salinas claims that his government tried to sail between the Scylla of populism and the Charybdis of neoliberalism.[23]

Critics of Salinas's strategy raised a number of objections to his post hoc views. For example, those identified with Cárdenas and traditional revolutionary nationalism reminded him that "the triumph of liberalism under Juárez did not lead to democracy but to a liberal dictatorship. . . . [The government is leading the country] to neoliberalism, which is closely related to neoporfirismo. As we all know, the Mexican modernization of the latter 19th century had a partial character. The Porfiriato concentrated all its energy in the economic transformation of the country while it postponed political change (democratization) which was thought might be dysfunctional to the economic project."[24] This view expressed clearly the contradictions and different rhythms between the process of economic liberalization and political democratization that Mexico experienced during Salinas's government.

Salinas's government voiced the idea of "social liberalism" in March 1992.[25] The president then made the PRI adopt "social liberalism" and drop "revolutionary nationalism" in its "Declaration of Principles" in September 1993 during the celebration of the party's 16th National Convention. The political strategy was to justify the government's economic project and to present the PRI as a more modern and liberal party.

Wanting to raise the popularity of the regime, Salinas worked toward the electoral strengthening of the PRI. Several authors have highlighted the correlation between social spending through PRONASOL and the states and regions where PRI support had to be strengthened, particularly as elections approached.[26] PRONASOL was at the core of "social liberalism," whose basic philosophy was underpinned by the notion of civil society's independent popular organization aided by the state to solve the basic problems of living, particularly as faced by the poorest communities in the country. Salinas and his advisers were right to identify strengthening the PRI as an urgent need because the realm of political parties and the electoral system would become a central battleground in Mexico's dual transition.

The Battleground of Political Parties and Elections

The *disputa por la nación* spilled over to the electoral arena as a consequence of the PRI's split and Cárdenas's presidential challenge in 1988. In the midst of the political confusion after the July 6 elections, the likelihood of the assumption of the presidency by Salinas hung in the air. Salinas decided that it would be politically desirable to acknowledge "the end of the era of a single party" in Mexico.[27] This, however, did not mean the acknowledgement of the full democratization of the Mexican regime. On the contrary, the country witnessed the rise of a process of selective political liberalization and hardening that relied on Salinas's political calculations and the contextual circumstances his government faced during his *sexenio*.

In order to control the process of selective political opening, Salinas acted on two fronts. As head of government, he negotiated three electoral reforms with the opposition between 1990 and 1994. As head of the hegemonic party, he tried to reform the PRI to secure both the party's support for his neoliberal reforms and the continuation of political control still exercised by the party across the Mexican territory. The first electoral reform was implemented in 1990 as a way to garner political support for Salinas's ambitious program of economic transformation.

Having lost in 1988 for the first time the two-thirds majority required for constitutional reforms in the Chamber of Deputies, Salinas's government established an informal political alliance with the PAN. It was in the interest of the PAN—which always had a political preference for economic liberalism—to support Salinas's neoliberal restructuring in exchange for PRI recognition of its electoral victories: "The PAN was the political party that kept the most intense relationship with the president [Salinas], in permanent give-and-take negotiations which more than once excluded the PRI and most of the time the cardenista opposition."[28]

Among other things, Salinas recognized a PAN gubernatorial victory in Baja California in 1989—this was the first time that an opposition governor victory was recognized—and then in Chihuahua in 1992; he also allowed a post-electoral conflict to prosper in the favor of the PAN in Guanajuato. At the same time, Salinas refused to admit any electoral victories by the PRD. In states with strong PRD presence, like Michoacán and Tabasco, post-electoral conflicts were suppressed through violence and imposition of the PRI candidates. Critics of Salinas called this strategy *bipartidismo concertasesionado,* that is, the president's selective use of democracy to negotiate and allocate electoral victories to his allies and a refusal to recognize his enemies' victories. In the sphere of Mexican federalism, this was expressed by the centralization of appointments in the president's hands.

During his six years in office, Salinas forced eighteen governors (out of thirty-two), all of them from the PRI, to resign. By the end of his term, more than 36 million Mexicans—more than a third of Mexico's population—were ruled by appointed rather than elected authorities.[29]

The PAN, despite rank-and-file opposition, voted for the first electoral reform, which introduced a new legal framework, the Código Federal de Instituciones y Procedimientos Electorales, or COFIPE. To establish conditions for the credibility of elections, the government created the Instituto Federal Electoral (IFE), a decentralized agency staffed by a professional civil service that took over administration of the electoral process. This did not, however, mean the establishment of free and fair elections in the country. The head of the IFE's General Council (its top decision-making organ) was the *Secretario de Gobernación,* the president's man. The reform deepened the "governability clause" introduced in 1986 to ensure an absolute single-party majority in the Chamber of Deputies. If no party won a majority, whichever party won between 35 and 50 percent of the total vote would automatically win one vote more than the bare majority of political representation in the lower chamber. After the 1988 electoral shock, this was a blatant admission on the part of the PRI that it might well need to secure legal justification for the formation of artificial majorities in the legislature. It became one of the clearest examples of Salinas's controlled political liberalization. The PRD voted against the reform on the grounds that it was anti-democratic. The PAN's support for the reform not only derived from its ideological support of neoliberalism; it also wanted to deflect an electoral advance by the left and the possible derailment of the neoliberal project or of political instability in general.[30]

Opposition to Salinas's economic project came not only from the PRD but also from the traditionalist groups nested in the PRI's corporatist apparatus. The president tried to foster the refashioning and restoration of the regime's legitimacy through the electoral strengthening of the PRI.[31] Through Luis Donaldo Colosio, whom he had appointed party boss, he tried to sell the PRI reform as an attempt to modernize and democratize the party. The PRI's 14th National Assembly in 1990 was used as the stage to implement the reforms. The main changes included the territorialization of the party, meaning that corporatist affiliation would be abandoned in favor of individual and free affiliation. The sectors' territorial presence was suppressed and substituted with state, municipal, and district councils; the influence of the top organ, the Consejo Ejecutivo Nacional (CEN), where the sectors' leaders (workers, peasants, and the middle classes) had strong presence and influence, was curtailed. A new Consejo Político Nacional (CPN) was created to decide the candidate selection. Its members would come

from the party's leadership, the governors of the states, the federal legislators, and other top state and municipal leaders. A proposal to democratize candidate selection (known as *consulta a las bases*) was also introduced.[32]

Salinas's personal popularity and the PRI reform gave the party a resounding victory in the 1991 legislative elections (PRI, 61.4 percent, PAN, 17.7 percent, PRD, 8.3 percent). Confidence returned to the government and its supporters. From their point of view, the 1991 elections confirmed that the 1988 elections had simply been an unfortunate but rather isolated electoral event and not part of a massive drop in support for the PRI. So important for Salinas was his electoral vindication in 1991 that he later confided, "That event was the one that most projected Donaldo [Colosio's] candidacy" to the presidency in 1994.[33]

The experiment of opening the candidate selection process triggered internal divisions within the PRI, which led to a wave of grassroots discontent because in the majority of cases, the central leadership still imposed their own candidates. Nonconformity caused party activists to rally the citizenry to vote against the PRI or even to close ranks with the PRD.[34] Thus, even though the party reform allowed Salinas to marginalize the traditionalist sectors that were particularly opposed to neoliberal policies, they also promoted intra-party conflict and strife. The reform also gave the governors a stronger voice inside the party. By making them a strong group in the party's CPN, Salinas allowed them to participate directly in the selection of candidates to all federal elective posts, including that of the president of the Republic: "The outcome was more than [Salinas and Colosio] had bargained for: they removed the corporations but introduced the governors. From then on [they] became the main internal forces resisting both president Salinas and later president Zedillo."[35]

In the face of such conflicts and opposition, Salinas promoted a second electoral reform in September 1993, a year ahead of the 1994 presidential elections. The president wanted to be fully in control of the electoral arena and at the same time wanted it to have popular credibility. The PAN realized the political costs of the previous reform and, in the words of its secretary general, declared that this time "the reform cannot simply perpetuate a transition or a series of mini-transitions . . . the PAN will vote for a reform that can be considered democratic."[36]

The reform included the elimination of the "governability clause," the end of Congress's electoral self-sanctioning, independence for the federal tribunal to contest electoral results, three instead of two senators to represent each state, and, finally, the regulation of campaign financing. New methods of electoral scrutiny were introduced through a commission with members from all parties in the IFE

and through civil society observers, but only Mexican; the traditional skepticism of foreign observers remained, and even though the opposition wanted to invite some foreigners to verify the transparency of elections, the regime did not allow it. The PRD's president highlighted that, despite all these piecemeal changes, "the government will not give way with respect to the fundamental question of the autonomy of the electoral institutions. . . . The idea of a truly autonomous electoral realm is not part of the government's plan."[37] Indeed, ultimate control of the majority in the IFE was still guaranteed to the government and consequently to the PRI in the person of the *Secretario de Gobernación*.

At the same time, Salinas also promoted new changes in the PRI. The president wanted to avoid a contested presidential election like the one he had faced in 1988. He knew that his social policy under PRONASOL had been popular, especially among targeted groups. However, the neoliberal project had yet to develop a broad popular coalition in its favor. Therefore, the president had to resort to the political support that was already in place. This meant, first and foremost, following the utilitarian conception of the PRI as an electoral ministry. He sought a rapprochement with the traditionalist forces in the party, which were still able to draw support and deliver votes for the official presidential candidate.

To achieve this, the president called for the celebration of the party's 16th National Assembly in 1993. The technocrats in charge were instructed to return to the status quo ante in order to regain traditional *políticos'* support. The corporatist sectors were incorporated to the CPN and their electoral quotas were increased. Grassroots candidate selection was substituted with traditional verticalism and party discipline.[38] The counter-reforms were not forced by the so-called *dinosaurios,* as people have traditionally believed, but rather came about as Salinas's strategy to face the succession process of 1994 in a position of strength. The drawback for the PRI was that "assuming a strong presidential will to promote and guide [party] change" had costs: the president would strengthen one of the PRI's main weaknesses, its dependence on the presidency.[39]

The third electoral reform during Salinas's government was unexpected and happened in 1994. To understand it, we must first turn to Mexico-U.S. relations and the appearance of a guerrilla movement in Chiapas—which stormed the domestic as well as the international media as the year 1994 dawned.

Mexico in North America: Economic Integration with the United States

The Mexican government under Salinas (like the Chilean under Pinochet) had a two-sided relationship with the United States. Politically, they were criticized by

American-based civil and human rights nongovernmental organizations (NGOs) while at the same time they were praised by the American government for their daring neoliberal transformation of their respective economies. In the late 1980s Amnesty International found that Chile, followed by Mexico, were the countries with the worst record of human rights violations in the hemisphere.[40]

Such public criticism forced the Mexican government to acknowledge its misconduct. For example, Americas Watch published the report "Human Rights in Mexico: A Policy of Impunity" in 1990, just a few days before presidents Salinas and Bush met in Washington to start official discussions about the creation of NAFTA. To avoid opposition from American public opinion, Salinas immediately decreed the creation of a national commission (CNDH) in charge of making human rights recommendations to public authorities in Mexico.[41] The Mexican process of political liberalization thus became internationalized, and this helped to further the country's dual transition.

The difficult relationship between Mexico and the United States created special political problems. Tension between the two countries surrounded issues such as democracy in Mexico, illegal immigration, and drug trafficking. The controversial 1988 Mexican elections captured considerable American media attention. This served as a catalyst in making Mexico's domestic politics an important foreign policy issue in the United States. Mexican opposition groups traveled to the United States to voice their views against authoritarianism. Of particular importance was the attention they attracted in the U.S. Congress. The most notorious example was Senator Jesse Helms, whose anti-Mexican stance was legendary, demanding free elections in Mexico as a precondition for the U.S. government to support the country's external debt re-negotiation.[42]

The George H. W. Bush and later Clinton administrations also faced pressure from U.S. trade unions to curb the constant massive immigration of unskilled Mexican workers. Having traditionally supplied cheap labor worth $7 billion annually to the economy of the American southwest, the Mexican and the American governments clashed time and again over the variety of social problems created by this economic relationship.[43] The U.S. government also considered drug trafficking to be a national security issue with escalating risks in Mexico—more than 80 percent of cocaine in the American market was being smuggled annually from Mexico.[44] The international media later highlighted that "during Salinas' government the drug barons consolidated their territory" in Mexico. Despite public knowledge about this at the time, the U.S. Congress annually certified the Mexican government's "efforts and cooperation" with its American counterpart. The

reason for overlooking the escalation of drug trafficking in Mexico was that, according to some sources, top American politicians and officials were very keen to help consolidate Salinas's liberal economic reforms through the signing of NAFTA. Not wanting to stir American public opinion against their potential trading partner, they "kept a blind attitude and praised Mexican efforts in the war against drugs despite evidence to the contrary."[45]

The passage of the NAFTA in the U.S. Congress became the key common aim of the Mexican and American governments between 1991 and the end of 1993. President Salinas and President Bush established a good relationship early on. The media announced a "Houston spirit" after they met in late 1988. This spirit reflected a rapprochement after the sometimes tense Mexico-U.S. relationship in the 1970s and 1980s. At that meeting, Salinas secured support for the grow-to-pay debt strategy—later to become the Brady Plan—which helped to reschedule debt obligations and fostered the influx of international financial credit back into Mexico.[46] According to Salinas, during that meeting, Bush proposed signing a free trade agreement, and after the successful renegotiation of Mexico's external debt in 1991, his government fully backed the creation of NAFTA.[47]

The economic integration of Mexico with North America (the United States and Canada) was a unique politico-economic phenomenon in the Latin American region. No other sovereign nation-state in the region established, from the mid-1990s onward, such a direct, deepening, and long-lasting economic relationship with the United States. This helps to contrast Mexico and Chile's politico-economic trajectory in the 1990s. Although from the analytical perspective of this volume, politico-economic synergies took the upper hand and prevailed, the two countries followed quite different trajectories. Chile's long economic liberalization process created an open economy with a diversified trade profile (in the second half of the 1990s, 14 percent of Chilean exports went to Mercosur countries, 20 percent to NAFTA countries, 43 percent to EU countries, and 23 percent to Japan).[48] In contrast, Mexico's economic liberalization process led to the economic integration of the Mexican and the North American economies. In the second half of the 1990s, Mexico-U.S. trade absorbed more than 85 percent of annual Mexican exports and more than 90 percent of annual imports. Mexico also replaced Japan as the second-largest trading partner of the United States, after Canada.[49]

NAFTA was conceived as a project that would transform Mexico's political economy. Top political actors on both sides of the border thought that NAFTA would help to structure and shape Mexico's modernization. Salinas emphasized

that the treaty would further the country's economic transition to a competitive, free market order because "it would give Mexico the certainty of access to the largest market in the world."[50] He was desperate for the U.S. Congress to enact the treaty before the 1994 presidential campaign in Mexico, lest the PRD stir nationalist sentiment in Mexican voters. The Mexican government thus mounted its largest lobbying campaign ever of the U.S. Congress to buy votes for the free trade agreement.[51]

After his presidential electoral victory in 1992, and despite strong opposition from influential labor and environmental sectors in his own party, President Bill Clinton also came out strongly in favor of NAFTA. According to Mickey Kantor, Clinton's appointed U.S. Trade Representative, the president supported not only the treaty's potential for creating American jobs but also Salinas's economic transformation of Mexico. Clinton was particularly concerned that Salinas "would be destroyed or critically injured if the United States withdrew its support for NAFTA."[52]

Outward-oriented sectors of the private business elite in both countries were also strongly in favor of NAFTA. For American business, NAFTA meant security for private investment, property rights, the availability of cheap labor, and the ability to benefit from lax environmental regulations in Mexico. For the Mexican business elite, the treaty meant, first and foremost, political security. According to a senior adviser of Secretary of the Treasury Lloyd Bentsen, who met with key members of the Mexican business elite, they "want NAFTA more for political reasons than immediate economic gain. They feel NAFTA will help bring political stability and assure that the Salinas reforms will continue. The political stability is more important to their economic future than market access."[53] The idea that NAFTA would lock in Salinas's economic reforms after he stepped down was similar to Chile's *proceso de amarre* in 1989–90, when the military regime negotiated its withdrawal from power through constitutional and legal reforms that locked in the restricted democracy/neoliberal economy model.

Political and economic actors who were in favor of NAFTA in Mexico and in the United States justified their support by highlighting time and again the politico-economic synergies that the treaty would produce to benefit the Mexican political economy. However, sound theoretical pronouncements about the benefits of free trade did not translate into reality after the signing of NAFTA in November 1993. In the short term, at least, Mexico plunged in 1994 into a series of politico-economic antagonisms whose virulence surpassed anything seen in the country since the late 1920s.[54]

*1994: End-of-*Sexenio *Politico-Economic Crisis, Yet Again*

Nineteen ninety-four was categorized as the year when Mexicans "lived in danger."[55] NAFTA went into operation on January 1, 1994. The same day, a guerrilla movement occupied several towns in the southeastern state of Chiapas and declared war on the Mexican regime. The rise of the Ejército Zapatista de Liberación Nacional (EZLN) captured the attention of the Mexican and international mass media.[56] The guerrilla uprising took everyone by surprise, including the Mexican federal government. Salinas has written that he was informed about the uprising of the EZLN around 3:00 a.m. on New Year's Day. He thought "nothing like this had happened in Mexico since the repression of the student movement of 1968, and the annihilation of the guerrilla groups in the 1970s."[57] The bitter paradox about Mexico's dual transition could not have been more dramatic: the same day Mexico was supposed to accede symbolically to the first world through its economic integration with North America, a rural guerrilla movement exposed the pre-modern, highly unequal, highly unjust patrimonial character of the politico-economic order in vast areas of the country.

Given the climate of political uncertainty that followed the *zapatista* uprising, Salinas decided to close ranks with the opposition and promoted an electoral reform, the third of his presidency. It was negotiated in early 1994, less than six months before the presidential elections in July. The basic idea was to create an understanding between the different political forces that chose institutional channels rather than radical anti-systemic mobilization and violence to express their politics. That the *Secretario de Gobernación* was in charge of both national security and elections highlighted the connections underpinning the rebellion in Chiapas, the party system, and the coming presidential elections.[58]

The government came under strong pressure from opposition parties, NGOs, and international public opinion. Salinas decided to halt the military campaign that he had ordered against the *zapatistas* and sent his closest political collaborator, Manuel Camacho, to negotiate terms of peace. He also reshuffled his cabinet, appointing Jorge Carpizo, an academic and president of the human rights commission (Comisión Nacional de los Derechos Humanos, CNDH), in *Gobernación*. Salinas called on the opposition to sign a pact, the Acuerdos para la Paz, la Democracia y la Justicia.

This pledge set the agenda both for the attainment of peace in Chiapas and for electoral reforms that might guarantee the transparency of the 1994 presidential elections. It explicitly linked the peace negotiations with the presidential elec-

tion.[59] Six non-party counselors, or *Consejeros Ciudadanos,* were given the majority of votes in the IFE's Council. The *Secretario de Gobernación* remained, nonetheless, as president of the Council. Free access to the media was guaranteed to all the parties, and party finances were subjected to closer scrutiny. An electoral prosecutor was created to adjudicate electoral conflicts through the judiciary. For the first time, foreign observers were allowed into Mexico to monitor the elections because, as the then president of the PRI, Ignacio Pichardo Pagaza, said, "The challenge was not only to win the election but also to convince" people that the election had been legitimate and transparent.[60]

Unlike the previous two reforms, the 1994 one was decided by consensus. Even a fraction of the PRD, led by Muñoz Ledo, supported and voted for it. The hard-line faction led by Cárdenas, who was already in his second bid for the presidency, was opposed to the reform. Despite the broad political adherence to the new rules of the game, 1994 still held in store more dramatic political and economic surprises.

Salinas had meticulously crafted the image and career of Luis Donaldo Colosio, whom he had appointed as the presidential candidate for the PRI in November 1993.[61] On March 23, 1994, Colosio was murdered at a campaign rally in the outskirts of Tijuana. The killing of a presumptive president had not happened in Mexico since the murder of General Obregón in 1928. This tragic event opened up the succession process in a way that allowed insiders as well as outsiders to observe the bitter struggle within the PRI over the nomination of a substitute presidential candidate.

Salinas needed someone who, like Colosio, was loyal and would deepen the neoliberal project. The traditionalists wanted a *político* who would be capable of balancing Salinas's liberal economic project with a return to *nacionalismo revolucionario*. Eventually, just as De la Madrid imposed Salinas's candidacy against the party's wishes in 1988, Salinas imposed another neoliberal-oriented technocrat, Dr. Ernesto Zedillo.[62] The substitute candidate was weak and did not have support inside the PRI, nor did he have an influential political clique, or *camarilla,* of his own.

The unexpected political events of early 1994 spilled over to the financial sphere, sparking politico-economic antagonisms. Foreign investors lost confidence in the Mexican economy's short-term future and pulled out. According to Salinas, on bad days such outflows reached more than $1 billion.[63] The Central Bank later reported that its strategy to defend the Mexican currency against capital flight in 1994 depleted its international reserves, which went from a high of

$30 billion to $6 billion, a loss of 80 percent that year.[64] Massive financial outflows in a presidential election year risked a repetition of the crises in 1976, 1982, and 1987–88. Mexico had become, in the words of the treasury secretary, "an effective importer of capital to finance its high development needs."[65]

Between 1989 and 1994, financial inflows amounted to 6 percent of GDP. This represented 40 percent of financial inflows into the whole Latin American region.[66] The sudden reversal of this trend put Mexico's economic and political order at great risk. The country's economy had also been suffering increasing current account deficits as a consequence of a tight monetary policy, which overvalued the peso and which had been enacted to lower the rate of inflation to converge with that of the United States (growing on average at 3 to 4 percent annually). To preserve the confidence and high expectations of foreign investors, the Treasury had sold bonds that guaranteed payment indexed to the exchange rate at time of purchase, the so-called *Tesobonos,* since 1991. In 1994, foreign investors wanted to be protected against a possible end-of-*sexenio* devaluation and bought up to 87 percent of the total sale of this financial instrument, which reached the staggering sum of $30 billion.[67]

Despite these efforts, the Mexican government did not reestablish private investors' confidence. Fear of inflation in the United States led to the Federal Reserve raising interest rates from 3 percent to 5.5 percent in the second half of 1994, and American inflows to Mexico dropped by 75 percent. Political turmoil did not abate either. Despite the victory of the PRI in the presidential elections (PRI: 50.3 percent; PAN: 25.8 percent; and PRD: 16.1 percent) and its continued absolute majority in both chambers of Congress, political violence continued.

On September 28, 1994, the general secretary of the PRI and future leader of the legislative majority in the Chamber of Deputies, José Francisco Ruiz Massieu, was assassinated in downtown Mexico City in broad daylight. The combination of a weak, new Mexican president, the continuation of political violence, and the government's need to redeem $20.4 billion worth of *Tesobonos* between August and December lured foreign investors away from Mexico.[68] Despite strong financial pressures, President Salinas and his *Secretario de Hacienda,* Pedro Aspe, refused to consider the devaluation of the Mexican currency before the government stepped down on December 1, 1994. They voiced this refusal in response to president-elect Zedillo's request for the outgoing government to assume the political cost of currency devaluation.[69] Salinas wanted to avoid the fate of his three predecessors, whose periods in office had ended in devaluation and general disillusionment. Moreover, he wanted to become the first director of the recently

created World Trade Organization (WTO) and could not bear the prospect of his apparent "Mexican miracle" unraveling toward the end of his incumbency. He thus stepped down but neglected to devalue the currency, as his predecessors had done, leaving behind a precarious economic and political situation.

Mexico's politico-economic vulnerability in 1994 can be contrasted with the politico-economic stability and good expectations in Chile when Aylwin stepped down the same year. Paradoxically, these contrasting outcomes helped to shape the two countries' dual transitions in a similar direction. In Chile, President Aylwin presided over a delicate politico-economic equilibrium, but the succession of his party colleague Eduardo Frei Jr. to the presidency was smooth, and the Chilean economy continued its boom until the Southeast Asia crisis of mid-1997. In contrast, Mexico's succession politics became stained with the blood of some of its top actors, while the regime was faced with the challenge of the indigenous rebellion in Chiapas, which attracted much support and sympathy internationally.

Likewise, when Salinas stepped down and a new government under President Ernesto Zedillo took over, Mexico's neoliberal experiment was in danger of succumbing to financial collapse (a bit like neoliberalism's perceived failure in Chile in 1981–82). Politico-economic stability and positive expectations in Chile strengthened the prevailing model of restricted democracy/neoliberal economy, Chile's version of dual transition. In contrast, politico-economic instability and impending crisis in Mexico would strike yet again a sharp blow to the PRI regime's credibility and legitimacy. Another end-of-*sexenio* crisis strengthened widespread calls for political democratization.

Ernesto Zedillo's Presidency: The Prevalence of Neoliberalism and the Defeat of the PRI, 1994–2000

Ernesto Zedillo did not seek the Mexican presidency but rather was thrown into it. Upon taking office, he inherited a precarious politico-economic environment characterized by political violence and financial strain. After an ill-fated attempt to implement controlled devaluation toward the end of 1994, the Mexican financial system and the country's economy suffered a deep crisis. Widespread political and social discontent broke out throughout the country, and Zedillo found himself in a weak political position from the very beginning of his term in office. To try to secure his position, he courted the opposition and promised a definitive electoral reform to ensure free and fair elections in exchange for wide political support. On the economic front, the Clinton administration engi-

neered the largest financial bailout of the economy of any single country, lending $50 billion in order that the new Mexican government could meet its short-term obligations. Zedillo agreed with the IMF to implement orthodox economic adjustment and deepen neoliberal restructuring.

The 1994–95 economic crisis and adjustment weakened the PRI regime even more. Mexico's traditionally strong hyperpresidentialism lost much of its strength, and Zedillo found himself challenged not only by the opposition but also by leaders of his own party and by the many dissatisfied sectors of Mexican society. The Mexican political landscape became fragmented, which strengthened the calls for political pluralism and accountability. The fourth end-of-*sexenio* crisis in a row (starting with the one in 1976) strengthened widespread calls for political democratization, but it also created problems that would challenge the quality of future democracy in Mexico. Among them, the widespread absence of the rule of law, a dramatic rise in petty and organized crime, and the penetration of the state by drug trafficking cartels (a phenomenon that had started in the mid-1980s) became prominent challenges to the government.

As a consequence, the PRI was punished time and again in the polls after 1995. In the federal elections of 1997, the PRI lost for the first time in its history the simple majority in the Chamber of Deputies, and the regime experienced divided government. The PRI also lost the first direct elections for Mexico City mayor to Cuauhtémoc Cárdenas of the PRD. More years of economic austerity and widespread insecurity and crime dealt the PRI the coup de grace after the party's candidate, Francisco Labastida, lost the presidential elections of 2000. Alternation in the Mexican presidency finally took place after seventy-one years of uninterrupted rule by the PRI. Government alternation in the Mexican federal executive was the culmination of the gradual erosion of the regime under the hegemony of the PRI.

From this perspective, liberalization was a two-decade-long process that broke economic as well as political monopolies in Mexico. It was a process that introduced economic as well as political competition and irreversibly weakened the political authority of the traditionally "imperial" Mexican presidency. It brought Mexico closer to liberal democracy and free markets, but it was an uneven process with many challenges still to come. From the perspective of dual transitions, 2000 was not the final outcome of the long fought process for political and economic liberalization. Rather, it was the continuation of Mexico's dual transition process with Vicente Fox of the center-right PAN at the helm of the Mexican executive and the PRI, for the first time in its history, in the role of opposition.

Economic Debacle and the U.S. Government Bailout

Despite incoming president Zedillo's request in 1994 to President Salinas to implement currency devaluation, the latter refused. Salinas's refusal dealt a great blow to the traditional political economy of legitimacy of the revolutionary regime. All outgoing presidents since Echeverría in 1976 had assumed the political cost of devaluation and economic adjustment. From the analytical perspective presented here, I argue that part of the continued institutionalization of the PRI regime since 1976 may have resided in the outgoing presidents' decision to confront in their last year in office the discredit generated by currency devaluation and economic adjustment. Assuming the political cost of unpopular measures in the runup to presidential successions had helped to ensure a fresh start for the incoming president. Presidential successions since 1976 gave new incumbents (López Portillo, De la Madrid, and Salinas) the chance to forge new alliances and implement new measures to contain politico-economic crises and renew the regime's credibility and legitimacy.

In contrast, in 1994 Salinas's refusal to bear the political cost of an unpopular economic decision faced incoming president Zedillo with a very vulnerable financial situation. Similar to Treasury Minister Sergio de Castro in Chile, who, faced with high currency overvaluation and increasingly unsustainable current account deficits, pegged the country's currency in 1979, eventually breaking the back of the Chilean financial system in 1982, Secretary Aspe in Mexico imposed a tight band on currency depreciation. The result was that the Mexican peso was overvalued between 25 percent and 40 percent in 1994, and the current account deficit faced unsustainable growth equivalent to 8 percent of annual GDP between 1992 and 1994.[70] Zedillo's *Secretario de Hacienda,* Jaime Serra, tried to implement a controlled devaluation on December 20, 1994.

But investors had watched with distrust the destabilizing politico-economic events in Mexico throughout 1994. After Serra announced this monetary measure, which consisted of widening the band of currency depreciation (this later came to be known as the *error de diciembre*), foreign investors panicked and made a run on the Mexican currency. The exhaustion of international reserves forced the government to allow the peso to float freely against the dollar. It immediately plummeted to half its nominal value. After the devaluation, inflation and interest rates skyrocketed, economic activity collapsed, the servicing of interest on credits quadrupled, and the Mexican financial system faced potential bankruptcy. Mexico plunged into its worst economic crisis since the 1930s.[71]

The international community became crucial to surmounting the Mexican

economic collapse of 1994–95. In the United States, the Republicans took control of both houses of Congress for the first time in half a century in the midterm legislative elections of November 1994. Despite President Clinton's pledge to help stabilize the Mexican economy, Congress objected to committing U.S. taxpayer money to a bailout. Given the threat by U.S. legislators to reject Clinton's proposal to bail out the Mexican economy, the U.S. Treasury activated a rarely used Exchange Stabilization Fund (ESF) to make a $20 billion credit line available to Mexico's Central Bank without the need for congressional approval. By March 1995, the Clinton administration had put pressure on the IMF and other financial institutions and was able to orchestrate a $50 billion rescue package. American government officials defended the measure by pointing out that the Mexican collapse would cost U.S. jobs and that a crisis-ridden environment south of the border could compromise social stability and spark massive immigration. Policy circles in Washington also urged Clinton's government "to continue to support Zedillo, at least as long as he pushes Mexico to consolidate democracy."[72]

Later—with the benefit of hindsight—the *Wall Street Journal* highlighted that the real reason the U.S. Treasury put together the $50 billion bailout was primarily that it "helped pay back holders of dollar-denominated Mexican bonds, the so-called *Tesobonos*."[73] In effect, the Clinton administration's priority had been to avoid a default by the Mexican government, which would have hit Wall Street quite hard, considering that Fidelity Investment, Soros Fund Management, Salomon Brothers, and Nomura Securities had all invested heavily in Mexico.[74]

The bailout forced the new Mexican government to follow the IMF's stringent rules of orthodox adjustment.[75] Before New Year's Eve, President Zedillo asked for Serra's resignation and implemented a Programa de Emergencia Económica. The program cut public expenditures in 1995 by 10 percent and raised VAT (from 10 percent to 15 percent) and public prices and tariffs (gasoline went up 48 percent and gas and electricity 32 percent). In addition, a very restrictive monetary policy was implemented (the monetary base contracted 25 percent in 1995), interest rates were raised (reaching in real terms 25 percent in November 1995), and the peso was allowed to float freely. The program also implemented wage controls to curb inflation (real wages contracted 15 percent in 1995).[76] Overall, the Mexican economy contracted 6.2 percent in real terms in 1995. It was its worst economic year since 1932. Annual inflation skyrocketed to 52 percent, investment fell 25 percent, consumption contracted 14 percent, and "open unemployment" reached a record level of 7.3 percent.[77]

As a consequence of the economic collapse, President Zedillo lost credibility and faced the anger of the Mexican population from the very beginning of

his term. This was in great contrast with his predecessors, who had always incurred and absorbed the political cost of unpopular economic measures just a few months before stepping down. Zedillo had won the presidential elections with the slogan "Well-being for your family." After the economic debacle, this discrepancy inflamed and angered the Mexican population even more. When Zedillo assumed the presidency on December 1, 1994, his approval rating was 48 percent and his disapproval rating was 14 percent. After the *error de diciembre,* the ratings had changed to 30 percent approval and 36 percent disapproval. According to the Mexican presidency's official pollster, this was the lowest approval rating for a Mexican president since the aftermath of the 1982 crisis.[78]

The financial and economic crisis of 1994–95 sparked strong politico-economic antagonisms that were similar to the financial and economic crises in Chile (1982) and Mexico (1976, 1982, and 1987) reviewed previously in this volume. All the crises sparked political discontent and social mobilization against the perceived economic management failure of closed, unaccountable governments and authoritarian regimes. Time and again, governments reacted to these pressures by promising economic policy changes and some degree of political liberalization. Even General Pinochet had to simulate a political opening of sorts with Jarpa's appointment after the 1982 economic debacle. In Mexico, President Zedillo felt intense social and political pressure after the collapse in 1994–95. As a result, he explicitly promised in his government's global plan sustained growth in the economic sphere and democratic modernization in the political sphere.[79]

In the economic sphere, President Zedillo was a convinced neoliberal technocrat who believed that the best way to promote economic growth in Mexico was by deepening market-oriented reforms. His plan envisaged the Mexican economy as an open market system integrated to trans-national networks, in which competition, internal demand, and foreign investment would provide the basic impulse for sustained economic growth.[80] It hinged on fostering exports, increasing national savings, and deepening privatization.

The value of the Mexican currency was freed to enhance the competitiveness of Mexican exports. Thanks to NAFTA, trade between Mexico and the United States more than doubled between 1993 and 1998 (from $89 to $196 billion), and Mexico became the second-largest trade partner of the United States after Canada. Moreover, American business, lured by cheap labor south of the border, set up assembly plants called *maquiladoras,* which experienced a boom and helped to boost Mexico's manufactured exports; by 1999 they represented 80 percent of total exports.[81] In 1993, there were 2,143 *maquiladoras,* which employed half a million Mexican workers. By 1999, there were 3,143 *maquiladoras,* which em-

ployed more than a million workers, and assembly plants provided 26 percent of total manufacturing employment in Mexico (compared with 7.2 percent in 1983), surpassing oil as Mexico's number-one source of foreign exchange.[82]

To increase domestic savings, Zedillo's government copied the Chilean private pension system that Labor Minister José Piñera had introduced in 1978 as part of neoliberal restructuring. In 1997, the Mexican government liberalized the public monopoly over pensions administered by IMSS, the national social security administration, and set a regulatory framework for the development of Afores, a competitive private pension system. This liberal reform further weakened the clientelism and patronage that the corporatist PRI had traditionally exercised through the social security system and several other channels.

Lastly, Zedillo's government also implemented the privatization of ports, railways, natural gas distribution companies, and allowed private activity in basic petrochemical. He faced insurmountable obstacles from the opposition and his own party to opening the electricity market.[83] From the perspective of economic policy, Salinas and Zedillo, trained at Harvard and Yale, respectively, were regarded as neoliberal technocrats who fostered the transformation of the Mexican economy by following the "Washington Consensus." Zedillo found himself in a more vulnerable position than any of his predecessors, fighting for his very political survival during his years in office. His best bet was to offer the opposition genuine free and fair elections in exchange for political support for his government and the Mexican regime.

Reforming the State and Guaranteeing Free and Fair Elections

The 1994–95 economic debacle sparked strong politico-economic antagonisms throughout the Mexican polity. The president tried to contain such antagonisms through a reform of the state. One of the key objectives of this reform—in the face of political violence after 1994 and revelations of collusion and corruption resulting from Salinas's economic liberalization—was modernization of the Mexican justice system. A second politico-economic priority was the rationalization of the state's expenditures to manage the economic stabilization, adjustment, and restructuring after the 1994–95 economic collapse. But the most important priority—as only this would ensure survival of the regime—was to court the opposition's wide political support during the worst moments of the economic crisis.

Intent on fixing the justice system, President Zedillo sent to Congress constitutional amendment initiatives to reform the Supreme Court in early 1995. There is a parallel between this reform and the reform of the Supreme Court in Chile

under President Frei. Despite the different initial motivation for undertaking it—Zedillo seeking to reform part of the state and Frei to modernize and reduce the influence of *pinochetismo*—the two governments justified it along similar lines. Zedillo and Frei believed in the need for a modern justice system as a prerequisite for transparent and efficient enforcement of the rule of law. If Mexico and Chile were to become modern democracies where free markets operate predictably—in other words, if Mexico and Chile's dual transitions were to proceed successfully—a key prerequisite was a modern justice system.[84] This did not necessarily mean attaining full judiciary independence.[85] The Mexican Supreme Court was granted relative financial and appointment independence from the traditional power of incumbent presidents, who had appointed and removed justices virtually at their own discretion. Likewise, the reform reduced the number of justices on the court, created new intermediate judicial organs, and reformed the federal judiciary's administration.[86]

Despite Zedillo's reform of the Mexican judiciary, it continued to be seen as a corrupt branch of government. For example, in 1997, Mexican Attorney General Jorge Madrazo challenged the injunctions granted to a wealthy defendant in a fraud case and demonstrated the court's chronic favoritism toward the rich. Time and again, Mexican prosecutors accused the high court's eleven judges of bending the law to benefit the wealthy and powerful.[87] According to a report from the UN Human Rights Commission, testimonies indicated that an estimated 50 to 70 percent of federal judges were routinely involved in acts of corruption. Appointments continued to be made from within the judicial branch; very few effective mechanisms existed for sanctions or training to assure the professional quality of judges.[88]

Aside from justice system reform, Zedillo's government had to confront repayment of the Clinton-sponsored financial bailout of 1995. Zedillo agreed to implement orthodox stabilization, adjustment, and restructuring following IMF guidelines. As part of economic restructuring of public finance, Zedillo implemented a rationalization of public expenditures. The strong Mexican presidency had enjoyed high levels of discretionary spending for decades. This unwritten presidential authority was part and parcel of the clientelistic/patronage character of political control and advancement in the Mexican political system. How did Zedillo manage to cut down on clientelism and patronage and survive politically at the same time?

Zedillo tried to ensure his own political survival by taking a step that none of his predecessors facing strong antagonisms during economic crises had ever dared to do: he courted the opposition's wide political support during the worst

moments of the economic crisis in exchange for a political reform that guaranteed, once and for all, free and fair elections in Mexico. Although they did not know it at the time, in the long term both sides benefited from this negotiation. On the one hand, the center-right opposition under Vicente Fox of the PAN went on to defeat the PRI's Francisco Labastida in the presidential elections of 2000. Party alternation in the federal executive finally occurred after seventy-one years of uninterrupted rule under the hegemonic PRI. On the other hand, Ernesto Zedillo left the Mexican presidency on December 1, 2000, and handed power to the opposition, thereby making him, in the annals of Mexican history, the president who allowed the transition to democracy to reach its ultimate consequences. The state and the regime, nonetheless, remained strongly in place through the 1917 Constitution and the ailing PRI remained the strongest political party in Mexico.

Zedillo's Acuerdo Político Nacional of 1996 was a response to the need to garner broad political support in the face of strong politico-economic antagonisms after the collapse of 1994–95. As the substitute candidate after Colosio's murder, Zedillo received the candidacy only after President Salinas had negotiated with PRI leaders the new slate of candidates for deputies, senators, and some governorships. Zedillo became, in effect, a candidate without strong allies in his own party. He became a president without strategic political alliances.[89]

Zedillo and his advisers decided to forge badly needed alliances outside the PRI. Therefore, as head of state and government he embraced the opposition by establishing a serious commitment to political democratization: let free and fair elections decide. Furthermore, as head of the ruling party, President Zedillo declared that he would keep a *sana distancia,* or healthy distance, from his own party, an announcement that met with shock in the PRI leadership. The PRI became a kind of orphaned family in which the eldest children fought bitterly over who would become the new patriarch. For the first time in decades, a governor, Roberto Madrazo of Tabasco, defied the president's authority by refusing to acknowledge the federal executive's order to step down in the face of grand corruption and law violations in his campaign for the governorship.[90] The president's incapacity to make Madrazo comply fostered the "feudalization" of political authority. Other powerful PRI governors, such as Manuel Bartlett of Puebla, repeatedly criticized the federal government's policies of economic restructuring and lack of leadership.

Zedillo's political strategy, which was brought about given his dire need for political support in the aftermath of the 1994–95 debacle, was based on two assumptions. The president "convinced himself that he was heading a democra-

tization project . . . and that the PRI is one of the main obstacles" for the success of this project. Zedillo's *sana distancia* displaced the center of gravity from the presidency to the political parties and the governors.[91] Powerful, entrenched leaders in the PRI, seeing this as the latest move by the young neoliberal technocrats, now under President Zedillo, to destroy the Mexican corporatist system under PRI rule, launched a counter-offensive.

From 1995 onward, PRI legislators and leaders of different sectors in the party openly criticized Zedillo's economic policies. Furthermore, the party organized the 17th National Assembly in 1996 as a counterattack against not only Zedillo himself but also the technocratic project that he and his two predecessors had implemented. The party's leadership was hijacked by anti-Zedillo leaders who rectified the PRI's ideology by rejecting Salinas's imposed "social liberalism" and restoring "revolutionary nationalism." The 17th National Assembly's main achievement against the neoliberal technocrats was that it established narrow prerequisites to become a PRI presidential candidate. It established that, to become a pre-candidate, that is, someone seeking the party's nomination to contest the presidential election, the individual would have to have at least five years as a party member. Also, the individual would have to have held positions in the leadership of the PRI or as a popular elected official. Finally, the decision of who would be the PRI's next presidential candidate would be defined by the National Convention as proposed by the CPN, the party organ in which state governors are the most influential political actors.[92]

Local and state PRI leaders started to organize their electoral contests and impose their own favored candidates in the face of weak political authority in the center, which traditionally used to impose its own candidates on local and state electoral contests: "Zedillo's abandonment of the PRI created a vacuum which paved the way for harsh disputes among the traditional political elite."[93] Another consequence of the estranged relationship between the federal executive and the PRI was a sharp increase in the exit of regional PRI leaders from the party: "The disappearance of clear rules" for the arbitration of candidacies "helped defeated PRI pre-candidates not to accept their defeats as legitimate."[94] Defeated pre-candidates of the PRI found it politically profitable to defect and seek to be nominated by opposition parties, particularly the PRD. It was in this manner that the PRD won some of its early governorships in states such as Tlaxcala and Zacatecas, where defeated PRI pre-candidates became the PRD's pre-candidates, and won.

In 1996, Zedillo also launched what he considered the "definitive electoral reform" of the hegemonic party system in Mexico. The electoral reform required the amendment of more than fifteen articles of the constitution. Unlike Salinas,

who courted the PAN and alienated and repressed the PRD, Zedillo made it clear from the beginning that he would guarantee free and fair elections, but that left, right, and center had to legitimize the new system of political competition in Mexico. The most important aspect of the reform was that the IFE was made fully autonomous through the appointment of a non–party based civil service under *consejeros ciudadanos,* or citizen counselors, who in effect took over the crucial decision of sanctioning the legitimacy and validity of elections in Mexico. The reform also put the resolution of post-electoral conflict under the jurisdiction of an electoral tribunal dependent on the judiciary.[95] It also regulated party financing and each party's media exposure, thereby helping to create fairer conditions for political competition.

The results of the reform in terms of democratic representation were felt immediately. In 1994, the PRI controlled 29 governorships, the PAN 3, and the PRD 0. The PRI also held an absolute majority in both chambers of Congress. By 1997, the PRI held 24 governorships, the PAN 7, and the PRD held the neuralgic politico-economic center of the country, Mexico City. The PRI also lost its majority control over the Chamber of Deputies for the first time in history, and the regime experienced divided government for the first time.[96] From 1997 on, Zedillo had to negotiate and build support with the opposition in Congress to implement policy. By 2000, the PRI controlled 19 governorships, the PAN 7, the PRD 3 plus Mexico City, and there were multiparty coalition governments in two states (Nayarit and Chiapas).[97] In effect, Mexico became a multiparty political regime based on three large national parties and moderate pluralism.[98]

Sparking New Politico-Economic Antagonisms: The Bailout of the Mexican Banking System

The successful stabilization of the Mexican economy after the 1994–95 collapse and the 1996 political reform eased the government's position in the eyes of the opposition and of the population in general. President Zedillo was able to surmount his precarious political position, which had led many commentators early on to equate him with President Francisco I. Madero (1911–13), who had been toppled and murdered. Indeed, toward the end of 1995, there had been widespread rumors about a possible coup d'état in Mexico. Notwithstanding the government's stronger position, which was also helped by the widespread perception after the PRI's defeat in the 1997 legislative and Mexico City elections that Zedillo was truly committed to free and fair elections whatever the outcome, antagonisms dominated the runup to the 2000 presidential elections.

The sources of the antagonisms could be found in the economic and the political spheres. In the economic sphere, despite the government's satisfactory macroeconomic handling of the 1994–95 crisis, the financial system still remained in tatters. In the face of early positive expectations created by Salinas's economic liberalization, Mexico experienced a massive credit expansion between 1988 and 1994 (banks' credit to the private sector skyrocketed from 19 percent of GDP in 1990 to 43 percent in 1994). After the ill-managed devaluation of December 1994, "the burden of servicing credits denominated in domestic and foreign currency increased, and banks' capitalization ratios fell."[99] In 1996, it was estimated that over one-third of all Mexican loans were nonperforming.[100]

The country's financial system was in danger of coming to a standstill. The government confronted strong pressures from small and medium debtors as well as from the big bankers and financiers. Small and medium debtors joined in a massive movement called *El Barzón,* which threatened a national moratorium on the prohibitively high interest rates. Zedillo's government was forced in 1995 to respond with a series of debt relief schemes to avoid *El Barzón* from carrying out its threats.[101] Potentially even more explosive was the precarious position of Mexico's big bankers and financiers. In 1995 Zedillo decided that the government would assume banks' nonperforming loans through a small agency, the FOBAPROA, which had been set up during Salinas's presidency to insure bank deposits. This amounted to the federal government assuming banks' liabilities on a virtually unlimited scale. Although the measure helped to keep the banking system afloat, it was a clear invitation for moral hazard.[102] As a consequence, Mexican banks, including those that did not have solvency problems, lined up for the government to absorb part of their debts through the FOBAPROA.[103]

By 1998, the FOBAPROA had accumulated debts of $65 billion (around 16 percent of Mexico's 1998 GDP).[104] President Zedillo sent Congress a financial reform bill in April 1998 to address the deteriorating situation. The bill amounted to an unprecedented bank bailout. It included the removal of a 20 percent ceiling for foreign ownership of Mexican banks, a measure meant to attract foreign resources to reduce the FOBAPROA's liabilities that was highly criticized by nationalist politicians from the PRD and from the president's own party, the PRI.[105] Even more controversial was Zedillo's attempt to transform FOBAPROA's liabilities into public sector debt. According to the *Financial Times,* Zedillo's proposal represented the largest increase of internal debt in the history of the country (from 28 percent of GDP to 42 percent).[106]

At this point, the Mexican regime experienced for the first time the checks and balances introduced into the political system after the opposition conquered the

majority in the Chamber of Deputies in the 1997 elections. In the eyes of the opposition, Zedillo's bank rescue meant transferring to the Mexican taxpayer the credit spree in which the select group of *salinista* bankers had indulged. Zedillo's government and the PRI were unprepared for the challenges of divided government. Congress had long been a rubber-stamping body for the incumbent president's policies—but no more. Given the rule of "no immediate re-election," legislators did not have any incentive to build independent reputations and bases of support. Instead, they voted in favor of all the incumbent president's bills and would later be rewarded for their loyalty to the regime with new positions in other branches of government, in the party apparatus, or in state or municipal governments.[107]

Under high political competition and plural representation, legislators' blind loyalty to the president disappeared. Under divided government, Zedillo was forced "to build coalitions to pass the legislation that he needed to govern."[108] Thus, when the opposition took over the PRI's legislative majority in the lower chamber in 1997, it reasserted its independence and challenged the president. Legislators voiced in the media embarrassing questions for the government: Why were FOBAPROA's liabilities allowed to expand without limit? Who were the bankers and entrepreneurs who would be saved?[109]

A major political scandal was sparked when Congress uncovered that Zedillo's plan would erase the financial obligations of well-connected businessmen who had supported the regime.[110] The president was accused of saving the PRI's wealthy allies at the expense of the Mexican people. Eventually, it transpired that notoriously corrupt and fraudulent Mexican entrepreneurs with connections to the governments of Salinas and Zedillo were indeed among those who would benefit from FOBAPROA.[111] An independent audit demanded by Congress concluded that "the banks' liabilities were acquired without enough information and, on occasion, illegally." The Mexican bailout, however, compared favorably with public bailouts of private financial systems in South America. Mexico's bailout in 1998 cost 16 percent of that year's GDP, but the collapse of banks and *conglomerados* in Chile in 1982 cost 41 percent of that year's GDP, and the collapse of the financial system in Argentina in 1980 amounted to 55 percent.[112]

The PRI and the PAN voted for and the PRD against the bank rescue in Congress. The FOBAPROA affair made it clear that the new politico-economic power bloc that had formed as a consequence of economic liberalization during the governments of Salinas and Zedillo supported free markets and the rule of law more as a matter of rhetoric than of conviction. The controversial 1998 bank rescue showed the economic consequence of the lack of the rule of law in the supposedly modernized Mexican political economy. The "un-rule of law" also had

a political face that contributed to even further antagonisms in the runup to the 2000 presidential elections.[113]

The Explosion of Crime and Political Violence

The 1994–95 economic crisis and the weakening of authority traditionally nested in the presidency contributed to a sharp rise of crime and political violence in Mexico between 1994 and 2000. Zedillo's government confronted a three-pronged challenge: the sharp rise of petty crime, the penetration of the Mexican state by drug-trafficking cartels, and the spread of political violence to several states in the country. Each of these phenomena was at odds with the government's ideal of creating a modern political democracy and free market economy underpinned by the rule of law.

The rise of petty crime hit the middle classes particularly badly, which turned it into an issue of great political discontent. It was estimated that between 1995 and 1999, annual delinquency rates grew seven times as fast as the annual growth of the Mexican population (14 percent vs. 2 percent).[114] Of particular concern was the rise in kidnappings of rich and even middle-class citizens, which were orchestrated by organized criminal bands led by former police and military personnel. Public insecurity became one of the major obstacles to the government's wish to project the image of a modern Mexican political economy.

Zedillo's priority to further integrate the Mexican economy into the international financial flows met with resistance from foreign investors, who considered operating in crime-ridden Mexico risky. Investment risk assessments highlighted that "the physical security of those working for foreign companies will remain a concern. . . . Mexico is a 'high cost' country in the sense that foreign firms operating there need to place a higher risk premium (for insurance or security measures) than they do for their operations in developed countries." Mexico's case contrasted with Chile, where "both the government and the local business community have a very positive attitude toward foreign investment, . . . risks to the safety of expatriate personnel and the security of foreign-owned assets have been minimal."[115]

An even more worrisome challenge to Mexico's national security was the penetration of the Mexican state apparatus by powerful drug-trafficking cartels. In 1997, the Mexican drug czar, General Jesús Gutiérrez Rebollo, was accused, and later charged and jailed by a military court, for protecting the powerful Juárez drug cartel. By 1999, two other generals faced similar charges, and another eleven high-ranking generals were under investigation.[116] Mexico's world ranking with

respect to corruption remained poor. Transparency International's 2001 index placed Mexico at 51 out of 91 countries. Several other Latin American countries did better: Brazil was at 46, Peru 44, Uruguay 35, and Chile was the best of all Latin American countries, at number 18.[117]

The penetration of drug cartels to the highest spheres of the Mexican armed forces did great damage to the idea that Mexico could become a liberal democracy simply through the defeat of the PRI at the ballot box. The greatest danger for the future of democracy and a rule-based open economy in Mexico was not even that it might become a narco-state like Myanmar, Nigeria, or Syria.[118] Rather, it was that by the end of Zedillo's term in office, the powerful drug-trafficking cartels in Mexico had constructed a parallel, alternative power base capable of constantly disputing the state's control of some areas of Mexican society.[119] For example, President Zedillo found it impossible to control or even to reduce the high levels of lethal narco-violence directed at local, state, and federal authorities as well as to journalists around the country.[120]

Lastly, political violence since the rise of the EZLN in 1994 did not abate but rather increased during Zedillo's presidency. Several state governors, local authorities, and political bosses brutally repressed political and social discontent, which radicalized dissent. That was the case with a massacre of seventeen peasants in Aguas Blancas in the state of Guerrero in 1995, which was ordered by governor Figueroa; as a consequence, a new guerrilla movement, the Ejército Popular Revolucionario (EPR) was formed.[121] The EPR widened its kidnapping, bank robberies, and other operations to several states in central and southern Mexico; unlike the EZLN, which called off its military tactics and decided to fight through the media and public opinion, the EPR remained committed to fighting and destabilizing the Mexican political regime.

The political situation also deteriorated in Chiapas, where, after an initial strategy of distension, Zedillo's government decided in 1995 to fence in the EZLN through the militarization of the state. The presence of military, federal, and state police in Chiapas could not put a stop to politically motivated violence, which reached a climax in December 1998, when forty-five displaced men, women, and children from *zapatista* communities were assassinated by local PRI goons in the community of Acteal.[122] President Zedillo later declared that "the massacre in Acteal was the saddest event during my presidency . . . particularly because the federal government was incapable to prevent and avoid it."[123]

The sense of the government's inability to guarantee minimum standards of law and order sapped its credibility. Coupled with the widespread perception that Zedillo had sacrificed the future well-being of the vast majority of Mexicans to bail

out the voracious elite of bankers and financiers, these pressing antagonisms cost the president a 10 percent drop in approval rates between late 1997 and early 2000.[124] Even more ominous from the perspective of dual transitions was that it weakened the image and support of the as-yet-unbeaten PRI in the runup to the presidential elections.

2000: Defeat of the PRI and Prevalence of Neoliberalism

The 2000 elections were foundational in the sense of initiating a new phase of political development in Mexico. The country's political regime had not experienced party alternation in the federal executive since 1929; since then, the way to the top of the pyramid had always been through the hegemonic PRI. But in 2000 the former governor of the state of Guanajuato, Vicente Fox, beat the PRI's candidate, Francisco Labastida (42.5 percent to 36.1 percent) and Cuauhtémoc Cárdenas of the PRD (16.6 percent).

For the first time, the president of Mexico was elected without an absolute majority, nor did his party did obtain a majority in either of the legislative chambers. Fox would need to seek the cooperation of the opposition, led by the PRI in Congress, to make and implement policy. The PRI remained the largest and most powerful party in Mexico. At the end of 2001, the PRI controlled 17 of the country's 31 governorships. It had majorities in 20 of 31 state legislatures and was the single largest legislative bloc in the two chambers of Congress.[125]

In the 2000 elections, a majority of Mexicans voted against the PRI and supported the most basic of ideas, one that Vicente Fox exploited very effectively: *change*. From the perspective of dual transitions, party alternation in the executive branch, a key feature in liberal democracies, finally became a reality. Likewise, Fox's victory secured the permanence of neoliberal economic policy, the deepening integration of the Mexican and North American economies, and international prestige for the country for finally becoming a proper democracy.

Conclusion

Mexico's economic and political change between 1988 and 2000 was the most comprehensive since the Mexican Revolution (1910–20). From the perspective of dual transitions, the most important similarity between the Mexican and Chilean cases was that electoral democracy and free market–oriented economies were strongly in place at the beginning of the twenty-first century. This does not mean that there were no important differences between the two countries. If anything,

the two countries' long dual transitions between 1970 and 2000 followed trajectories that tended to converge after 1982 while still remaining quite different.

Chile and Mexico became distinct versions of electoral democracy and free market economies. The Chilean type of dual transition led to a tutelary, or restricted, electoral democracy with a relatively effective rule of law and a highly diversified open economy. In contrast, Mexico's dual transition was characterized by full electoral democracy, a deep-seated incapacity to enforce the rule of law, and economic integration with the North American economies.

There was another important parallel between Mexico and Chile. The politico-economic outcomes of the process of dual transitions also produced disagreements among its respective populations. Just as in Chile, where the modernizing groups of the New Right with a technocratic bent praised the country's dual transition outcome, Mexico's like-minded individuals and groups hailed Vicente Fox's presidential victory.[126] Just as in Chile, where the left and center-left individuals and groups with social-oriented public attitudes lamented restricted democracy and the neoliberal economic order, Mexico's like-minded individuals and groups did not consider Vicente Fox's government the first of a new politico-economic era—rather, he represented the fourth (since De la Madrid) of an extended period of deep economic liberalization that was laying to rest the social principles of the Mexican Revolution.[127]

Dual Transitions in Chile, Mexico, and Beyond

Given the cases one has compared in detail, it is tempting indeed to draw general implications for other countries. If done at all, this has to be presented as mere tentative implications, drawn to stimulate further research into the study of contemporary dual transitions cross-regionally rather than to produce a general theory. A well-grounded conclusion should only apply to the cases studied in detail. For this volume, that has meant the economic and political transitions occurring in Chile and Mexico between 1970 and 2000. Therefore, in this conclusion, I first present the general findings for the Chile/Mexico paired comparison and afterwards draw tentative implications for other countries.

Assessing Chile and Mexico's Dual Transitions

Relative success in the management of the process of dual transitions in Chile and Mexico was not preordained. Given the high uncertainty, short time horizons, and winner-take-all behavior that periods of radical political and economic change induce, Chile's and Mexico's avoidance of extreme outcomes such as hyperinflation and interrupted presidencies during the difficult years between 1980 and 2000 was the exception in Latin America. The avoidance of such extreme outcomes does not mean that the process of dual transitions was smooth in either country. As explained in chapters 3 and 4, the 1982 economic collapse tested the survival of the authoritarian regimes of both countries, much as it tested other authoritarian regimes in Latin America.[1] (It is easily forgotten that as recently as 1978 there were only three democratic regimes—Colombia, Costa Rica, and Venezuela—in an otherwise authoritarian Latin America.) The main difference was that Chile's and Mexico's authoritarian regimes were the only ones to survive the "lost decade" of the 1980s and, moreover, to control both countries' dual transitions in

the 1990s—the young but strongly institutionalized Chilean military regime more so than the aging, crisis-prone hegemonic PRI regime in Mexico.

To explain the capacity to exercise such control, I have argued that the institutionalized character of the core political institutions in these two authoritarian regimes was the key mechanism shared by otherwise very different cases, with Chile's being the strongest military bureaucratic authoritarian regime in South America and Mexico's the longest-lived civilian, hegemonic, party-based regime anywhere in the world. Institutionalized authoritarian regimes raised the probability that incumbents and the opposition could overcome coordination problems. Once this was established, actors' time horizons lengthened, ensuring no permanent winners and losers and raising the likelihood of positive-sum outcomes. The end result was effective inter-temporal bargaining and accommodation, which helped to contain the social and political conflict inherent to the fight for rents and influence brought about by the breakup of political and economic monopolies that resulted from dual transitions.

Although similar, this mechanism operated differently in Chile and Mexico. Using Acemoglu and Robinson's game theory assessment about the likelihood that an opposition will use enough de facto power to force an incumbent to reform de jure power, Chile was a case of preemption, whereas Mexico was a case of gradual loss.[2] The argument states that opposition forces will act this way in order to force institutional guarantees from the incumbent elite about how their increased participation in the decision-making process will allocate future value, whether political (voice and representation) or economic (rents and the growth of wealth). From this perspective, Chile was not so much a case of an opposition using de facto power to force elites to give up partial de jure power (by democratizing the regime); rather, the military regime and its civilian allies re-crafted de jure power (through the 1980 Constitution and its "restricted democracy" model) to preempt, contain, and guide the future de facto power of the opposition, particularly by tying its hands to avert changing the version of open, free market economy implemented by the military regime.

In contrast, the hegemonic PRI regime in Mexico tried to buy off and incorporate mass dissent through the economic populism of the 1970s to avoid having to give up the sole exercise of de jure and de facto power it enjoyed by virtue of its hegemonic rule. Economic populism led to recurrent end-of-*sexenio* crises, and one of the costs of retaining hegemony was that, in 1982, the Mexican state went bankrupt. The ranks of the opposition filled with disaffected businessmen and the urban middle classes, who decided to push their de facto power through the PAN. The surge of opposition from the right forced the PRI to give political

concessions (that is, recognize electoral victories) that strengthened the PAN's de jure power. The imposition of Salinas as PRI presidential candidate in 1987 and, with it, of the neoliberal agenda to restructure the Mexican economy led to the split of the hegemonic PRI and the rise of a broad left under Cárdenas.

While President Salinas at times ignored the PRD and at other times coerced its regional leaders and sympathizers, the dramatic 1994–95 Mexican economic collapse finally forced incoming president Zedillo to relinquish the state's control over the electoral process, and the PRD became a growing stakeholder in the de jure order of the young Mexican democratic regime. Thus, Mexico's dual transition can be seen as the gradual loss of a hegemonic elite's power due to successive politico-economic crises. These crises gradually empowered opposition forces first on the right and then on the left. In the context of the post-1982 bankruptcy of the state-led Mexican economy, incumbent elites and the spreading and deepening opposition from both flanks negotiated the country's dual transition to democracy and an increasingly open economy integrated with North America.

In authoritarian Chile and Mexico, while constitutional frameworks, calendars for power contestation, and strong parties and party systems helped to lengthen and stabilize actors' time horizons, strong centralized executive branches played a pivotal role in coordinating actors and authoritatively allocating value throughout the tortuous process of dual transition. It is from this perspective that I have contended that the key to comparative success for these countries vis-à-vis other countries in the region lay in their highly institutionalized authoritarian regimes rather than in authoritarian rule per se.

This contention does not underestimate the role played by democratizing forces, both domestic and international. As this comparative historical analysis has shown, opposition parties and organized civil society, aided by international calls in favor of democratization, helped to further the cause of democracy in Chile and Mexico. However, the effectiveness of these forces was enhanced by the presence of institutionalized rule, even if this rule was authoritarian. Herein lies an interesting paradox about the means of transformation of relatively closed to relatively open politico-economic systems.

Even though intuition might tell us that the stronger and more stable an authoritarian politico-economic order was, the harder it would be to change it, the Latin American experience from the 1980s and 1990s suggests that it was exactly this type of authoritarian regime that showed the proper amount of flexibility, presiding over dual transition processes that averted episodes of hyperinflation or interrupted presidencies in Chile and Mexico. In contrast, young democracies in

countries where authoritarian rule had not been institutionalized—such as Argentina, Bolivia, Ecuador, and Peru—tended to inherit a politico-economic process over which there had been little time and disposition by opposing camps to agree on how to manage change. Furthermore, this lack of institutionalization raised the likelihood that dual transition conflicts would spill over into hyperinflation or interrupted presidencies.

The contrasts derived from this generalization should not be carried too far, however. Some authoritarian regimes in Latin America that never became institutionalized—such as the military regime in Uruguay between 1973 and 1985—did give way to relatively stable and successful new democracies. Nonetheless, in light of the comparative historical evidence from the Chilean and Mexican dual transitions, it is probably fair to say that the "authoritarian advantage" derived not so much from authoritarian rule per se but from the high institutionalization of authoritarian rule, which provided a measure of stability, predictability, and control to both incumbents and the opposition over the complex process of political and economic change. Paradoxically, the key strengths of institutionalized authoritarian rule (stability, predictability, and control) were also the main elements of its undoing, because they were the stepping stones that allowed liberalizers to transform it into electoral democracy.

The prevalence of positive-sum outcomes after the breakup of the political and economic monopolies in Chile and Mexico does not mean that all actors received similar benefits or bore similar costs. By and large, the more powerful actors in Chile and Mexico fought and won a large proportion of the benefits of dual transitions, while the poorest, least-organized actors incurred a large proportion of the costs. Among the winners were strategic sectors in the hands of the state, such as oil (PEMEX) and electricity (CFE) in Mexico and copper (CODELCO) in Chile. Defined constitutionally as strategic sectors, these resources remained under state ownership despite the international pressures to privatize them. In fact, the sales proceeds of oil and copper for Mexico and Chile, respectively, remained the most important source of fiscal revenue for their governments, and expert bureaucracies and labor leaders of these sectors were also shielded from international competition. Chile and Mexico may have endlessly touted neoliberalism, but it was these public monopolies that continued to dominate their economies into the twenty-first century.

Big business, both domestic and even more so international, also fared well in the dual transitions. In the economic sphere, the process of privatization in both Mexico and Chile led to high economic concentration, favorable legislation, and

the persistence of monopolies and oligopolies. Consumers paid the price of a small number of big business groups controlling most services in both economies. In the political sphere, the rise of electoral democracy gave big business ample room to support financially the parties of the right and of the center-left (for example, the renovated socialists in Chile and the neoliberal technocrats in the PRI), which would continue to support economic liberalization legislation.

The 1980s was a dreadful decade throughout Latin America for professionals, small and medium business owners, and the middle classes in general. In Chile and Mexico, the "lost decade" pushed the middle classes to support political democratization, while they became divided in their approach to the economic realm, with some professional and technical experts supporting the opening of the economy but a majority opposing it on the grounds that they would lose their jobs—which they then did.

Labor kept more concessions in Mexico, where the CTM remained the core constituency of the PRI. However, it was the old, corrupt official labor leadership that enjoyed the continuation of privileges, while the rank and file lost more than 40 percent of real wages due to the adjustment process between 1982 and 1990. Nonetheless, despite the neoliberal rhetoric, none of the governments that pursued neoliberal policy (De la Madrid, Salinas, Zedillo, and Fox) ever achieved any liberalization of labor legislation.

In contrast, Chile's organized labor movement was repressed and disarticulated under the military regime. The group that suffered the brunt of military regime repression (with tens of thousands exiled and several thousand killed) was the organized Chilean labor movement, whose tradition and strength in Chile dated back to the 1920s. The military regime subsequently passed a labor code (1980) that was strongly pro-business, and the workers ended up with fewer rights and a weaker organizational base than their counterparts in Argentina and Brazil.[3]

Neoliberalism also produced winners and losers in the rural economy. In both Chile and Mexico, the marketization of great swaths of arable land socialized by previous reformist regimes (the *reparto agrario* and *ejido* system in Mexico and the land reforms of Presidents Eduardo Frei Sr. and Allende in Chile) segmented the rural economy into a dual structure. The affluent one is made up of small numbers of fast-growing agribusiness companies linked with transnational partners and specializing in the export of high-value agricultural products. In contrast, the poor one is made up of the vast majority of poor, low-skilled subsistence agricultural workers and countryside dwellers, whose per capita income and basic levels

of well-being are scandalously lower than their urban counterparts. A rural exodus to the big cities in Mexico and to the United States—to the latter primarily as illegal immigration—has become prevalent, as Mexico's agricultural tariff system has been gradually phased out through international treaty obligations under NAFTA. As a result, peasants have lost their capacity to engage even in subsistence agriculture.

In Chile, the military regime only partially restored to big landowners the land that Eduardo Frei Sr. and Allende had socialized. In turn, the military regime used the land that was not returned to the landed elites to implement its own policy, which was based on the idea of fostering the growth of a sector of medium-sized rural landowners. However, a majority of peasants were left out of this project, and they became landless agricultural workers with a very precarious existence. As Marcus Kurtz has pointed out, by making the rural poor so vulnerable and dependent, marketization reforms paradoxically ended up creating rural political clienteles for the neoliberal reforming governments in Chile and Mexico.[4]

Dual transitions thus produced clear winners and losers in both Chile and Mexico. Looked at from Amartya Sen's ideal perspective, which argues that political and economic liberalization should ultimately empower individuals' freedom in the political and economic arenas, the worst liability of Chile and Mexico's dual transitions—as has been the case of many dual transitions around the world—has been the acceleration of socioeconomic inequality and polarization.[5] The growth of wealth concentration in Chile and Mexico between 1982 and 2000 was considerable.[6] Increasing socioeconomic inequality and polarization thus remain powerful dormant sources of politico-economic antagonisms in Chile, Mexico, and other dual transition countries.[7]

Inequality has to be tamed to raise the likelihood that politico-economic synergies, rather than antagonisms, will prevail after the partial breakup of political and economic monopolies. In the long run, this can only happen if the complex process of dual transitions empowers, both economically and politically, the majority of citizens in these countries. Mexican and Chilean leaders must remember that the alternative is a growing likelihood of social conflict and political violence due to the grudges and deep resentments created by the extreme concentration of wealth in developing countries still facing primary needs for a majority of their citizens in areas such as basic hygiene, housing, health, and education. Let's look at the tentative implications for other countries in light of the paired comparison analysis of the dual transitions in Chile and Mexico between 1980 and 2000.

Comparative Assessments of Dual Transitions: Tentative Implications for Select Third Country Cases

I have chosen to compare the institutionalized authoritarian regimes that managed the dual transitions of Chile and Mexico with those of third countries in different regions of the world. Within Latin America, the case that most resembles Chile and Mexico but is nonetheless different is Brazil. Outside Latin America, another highly studied region of the world with regard to dual transitions is Central Eastern Europe, starting with the collapse of communist regimes and command economies in 1989.[8] The case of Hungary, in particular, offers interesting parallels with the Chilean and Mexican cases of dual transitions. A third region of interest to dual transitions scholars is East Asia, where authoritarian regimes in the 1960s promoted state-led, export-oriented growth followed by transitions to democracy beginning in the 1980s and then gradual economic liberalization, which was accelerated after the regional economic collapse of 1997–1998.[9] In this region, the cases of Taiwan and South Korea offer interesting parallels with Chile and Mexico. The key to drawing parallels between these third countries across the globe and the cases of Chile and Mexico rests on whether a governing authoritarian regime is able to control dual transitions or not.

Brazil

Brazil's authoritarian regime had important features of institutionalization, such as constitutional rule, parties, elections, and Congress.[10] However, two main characteristics rendered the Brazilian authoritarian regime unable to control the dual transition process: a lower degree of institutionalization and nonsynchronized dual transitions. The degree of authoritarian regime institutionalization was decidedly lower in Brazil than in Chile or Mexico. When measured by the four yardsticks identified in this volume as helping the Chilean and Mexican authoritarian regimes to exert control over their dual transitions—the degree of institutionalization in the country's constitution, the electoral laws and calendars, the nature of parties and the party system, and the power of the national executive branch of government—Brazil's authoritarian regime showed significant differences.

Brazil's military constitution, passed in 1967 and amended in 1969, never generated the allegiance of a broad social and political bloc capable of preserving it. As a consequence, it was replaced soon after the military stepped down by the 1988 constitution. Thus, the political and economic transitions in Brazil unfolded

under two different constitutions. In contrast, in Chile and Mexico the same rules of the game (i.e., the 1980 and 1917 constitutions, respectively) structured and regulated both transitions.

The Brazilian electoral system under authoritarian rule also came under widespread attack over the clamor for direct presidential elections—*direitas já*—which mobilized millions of citizens in 1984. With the issue of electoral contestation still up in the air, both the outgoing authoritarian incumbents and the opposition were unable to lengthen their time horizons (as Chile and Mexico were able to do), and short-term, negative-sum calculations prevailed during the early years after the transition to democracy.

In terms of parties and the party system, party identities were newer and weaker in Brazil than in Chile and Mexico, due primarily to the sponsorship by the Brazilian military regime of an artificial two-party system. As a reaction, the new democratic regime created party and electoral legislation, which promoted the formation and representation of many new parties and a party system characterized by fragmentation and volatility. Before Fernando Henrique Cardoso's presidency, this fragmented party system led to deadlocked governance, and the José Sarney, Fernando Collor, and Itamar Franco presidencies were never able to create the blocs of support needed to carry out the necessary restructuring of the ISI model, which imploded in 1981–82.

Lastly, the presidential office in Brazil under military rule was collegial, unlike the centralized, unitary, strong presidential office in authoritarian Chile and Mexico. As a consequence, the absence of a unitary actor capable of functioning as the focal point of coordination coupled with weak executive leadership after General João Figueiredo's rise in 1979 meant that the Brazilian presidency's power to allocate value authoritatively was much more constrained than in Chile and Mexico.

Weaker authoritarian regime institutionalization in Brazil vis-à-vis Chile and Mexico made the preferences and calculations that incumbents and the opposition faced more short-term and negative-sum. As a consequence, they had less ground to overcome coordination problems. Also, it shortened their time horizons, so they found it impossible to plan strategic interaction inter-temporally. The end result was, as Lamounier has asserted, "A sharp fall of aggregate authority in the political system from 1981 to 1985. . . . The military could veto but not make policy . . . [and] the emerging civilian leadership . . . could not yet make policy at the national level." Many analysts even believed that "a compact elite had somehow engineered an *arreglo* [compromise] to keep the levers of power under tight control. . . . On the contrary, . . . both military and civilian leaders were sharply weakened by the crisis of the early 1980s, sowing the seeds of a crisis that lasted for

the next ten years."[11] In sum, compared with the authoritarian regimes in Chile and Mexico, the Brazilian military regime had a lower degree of government.

In addition to lower regime institutionalization, the military in Brazil was unable to stay in control to preside over the two transitions. Unlike the Chilean and Mexican authoritarian regimes, which decided to fight and prevailed in the aftermath of the 1982 economic debacles, the Brazilian military faced such widespread opposition that the cost of repression was unthinkably high, so the government decided to step down. Thus, in terms of timing, the transition to democracy (1985) preceded the initiation of economic liberalization (1994) by almost a decade.

The ousted military regime and its allies had substantial influence in crafting the transition to democracy—through their influence during the Sarney presidency, their participation in the crafting of the 1988 Constitution, and their continued presence in parties such as the Party of the Liberal Front and the Party of the Brazilian Democratic Movement. However, they did not help to bring about, let alone control, the transition to a more open economy: "There was no tradition or political will to support a market-driven economic model in Brazil, unlike in Chile and Mexico, where market reforms were well under way by the mid-1980s."[12] When economic liberalization came, it was economic crisis conditions that forced it on Finance Minister (and later President) Cardoso and his Party of Brazilian Social Democracy, which after 1993 implemented the orthodox stabilization, adjustment, and mild restructuring of the heavily state-led, crisis-ridden Brazilian economy. Far from being military regime supporters, Cardoso and his political allies had militated in the officially recognized opposition since the early days of military rule. The end result in Brazil was political and economic transitions that were relatively successful but occurred at different times and were controlled by different incumbents operating under different political regimes.

Hungary

In Eastern Europe, the dual transition case that most resembled Chile and Mexico occurred in Hungary. According to an authoritative interpretation of Hungary's dual transition, "the institutional environment in which the distributional costs" of the breakup of economic and political monopolies occurred was "the decisive factor."[13] This explanation is similar to the one offered in this volume for the paired comparison of Chile and Mexico, although its mechanism was, interestingly, the opposite one.

Following in the footsteps of Poland, Hungary left the Warsaw Pact in October

1989 and created a multiparty democracy—the Third Hungarian Republic. The 1989 revisions to the 1949 constitution (amended in 1972) led to a degree of institutionalization of the Hungarian democratic regime that allowed it to operate in a similar fashion to the regimes of Chile and Mexico. Hungary's young democratic regime with strong institutional bases presided over the cost-and-benefits fight of the political and economic transitions, and in Chile and in Mexico institutionalized authoritarian regimes did the same.

The Hungarian democratic regime was characterized by constitutional rule; an electoral system that favored a small number of parliamentary parties; and concentration of the executive party in the office of the Prime Minister. This configuration, just like in Chile and Mexico, raised the likelihood that incumbents and opposition forces could negotiate and manage inter-temporally the costs and benefits inherent to dual transitions. A key similarity of the economic transition to open markets in Hungary and Chile/Mexico was that it led to the weakening of "the branch ministries and [an increase of] the government's dependence on the National Bank and Ministry of Finance, the key agencies of macroeconomic regulation. . . . [And] the establishment of a multiparty system relieved the Bank and Finance Ministry of the burden of particularistic bargaining, by channeling distributional costs into the electoral arena."[14]

A contrasting feature between the dual transitions in Hungary and Chile/Mexico illustrates Huntington's contention that what matters most for political order in rapidly changing societies is not so much the type of regime or form of government, but the degree of government. Thus, both democratic (Hungary) and authoritarian (Chile/Mexico) regimes have been able to control dual transitions. The key to this capacity in these three countries was their relatively high degree of government, a necessary part of which was their institutionalized political regimes.

Taiwan and South Korea

In East Asia, Taiwan and South Korea provide an informative paired comparison for dual transitions with Mexico and Chile. The former in each pair corresponds to an authoritarian regime by hegemonic party rule and the latter to military rule. In terms of timing, the impressive state-led economic transition from agrarian to import substitution industrialization to export-oriented manufacturing in only three decades in Taiwan and South Korea preceded their political transitions to democratic rule by more than twenty years.[15] In both countries, authoritarian regimes carried out revolutions from above through the construc-

tion of developmental states, which furthered politico-economic development along an authoritarian capitalist path.[16] In particular, the relationship between the rural middle classes and authoritarian regimes facilitated early state capacity building in Taiwan and, to a lesser extent, in South Korea, by helping to discipline the interests of the urban classes (capitalists, workers, middle-class professionals and artisans). The end result was high rates of sustained economic growth and socioeconomic modernization.[17]

In parallel, the channels for political participation that these authoritarian regimes allowed became increasingly narrow and rigid—a process that also occurred in Mexico, where the hegemonic PRI presided over rapid socioeconomic modernization between 1940 and 1982—as Taiwan's and South Korea's societies became more urbanized and educated; equally important was the push by the middle and working classes for political liberalization in the 1980s.[18] As a result, authoritarian incumbents and the organized opposition in Taiwan, South Korea, and Mexico fought over the breakup of the political monopoly enjoyed by their authoritarian regimes and engaged in a succession of negotiated reforms, which gradually opened electoral competition between the 1980s and 2000.[19]

In Taiwan, the process of political liberalization started after the official rise of the opposition through the Democratic Progressive Party in 1986, culminating with the hegemonic Kuomintang losing the 2000 presidential election to the DPP. In South Korea, the transition to democracy started with Roh Tae Woo's "Declaration of Democratization and Reforms" in 1987 and culminated with the 1997 presidential electoral victory of the opposition under Kim Dae Jung.

The developmental states constructed by authoritarian rule in Taiwan and South Korea enjoyed strong executive leadership.[20] Developmentalism in these East Asian countries was characterized by "state penetration of, or 'embeddedness' in the surrounding society and specifically with business-government relations, as well as with 'state steering' capacities."[21] These authoritarian regimes also "placed limits on labor's freedom of action and subordinated it politically and economically to business."[22]

Despite its centralized control of the economic process, the developmental state could not guarantee permanent success. Like all political economy strategies, the developmental state entailed the continuous allocation and redistribution of assets and resources among contending groups. Given this process, it confronted "classic problems associated with the monopolization of political authority including the temptation to predation and the risk of ossification."[23] The 1997–98 financial and economic crises that engulfed East Asia exposed the developmental state's key problems: government-private business collusion, cor-

ruption, moral hazard, bureaucratic interference, and anticompetitive behavior due to the preponderance of monopolies and oligopolies.[24]

The East Asian regional economic collapse of 1997–98 sparked politico-economic antagonisms similar to the ones that Latin American countries confronted after the 1982 economic debacle. In fact, South Korea, like Mexico, experienced both a major debt crisis in the 1980s and an equally major banking crisis in the 1990s. Chile, in turn, only experienced the 1980s debt crisis. In contrast, Taiwan did not experience a crisis in the 1980s, and its economy suffered a slowdown in the aftermath of the East Asian collapse of 1997–98 but only as a spillover effect of the general regional crisis. The macroeconomic fundamentals of the Taiwanese economy remained enviably robust, so there was much less pressure to deepen an economic transition to free markets.

The crises of both the 1980s and the 1990s fueled domestic and international pressure in favor of the breakup of political and economic monopolies (authoritarian regimes and state-led economies) in both the Latin American and East Asian regions. From the perspective presented here, countries with institutionalized authoritarian regimes—Chile and Mexico in Latin America; Taiwan in East Asia—had more capacity to deal with the twin pressures of political and economic liberalization than countries whose regimes (whether late military or young democratic) had lower degrees of institutionalization—Brazil and South Korea.

Thus, institutionalized authoritarian regimes in Mexico and in Taiwan "controlled the process of opening" thanks to "the privileged institutional position of the dominant party and its capacity to mobilize support."[25] Although the military regime in Chile did not rely on a hegemonic party to rule, it used the 1980 Constitution to craft a calendar to frame the transition to democracy. This constitutional framework forced the opposition and the pro-regime parties to negotiate the political transition from the resurgence of parties in 1982–83 to the plebiscite (1988), electoral (1989), and inaugural (1990) victories of the civilian Concertación coalition—all under the tutelage of a "restricted democracy" model.

Taiwan's authoritarian regime, like the Chilean and Mexican ones, "tied the transition [to democracy] to already scheduled events, such as regular elections." The KMT had the capacity "to dictate the pace and scope of institutional change and to effectively limit the opposition's room for maneuver."[26] Strong political steering by the hegemonic KMT also meant that the Taiwanese economy was regulated more tightly than South Korea's. Taiwan pursued orthodox macroeconomic management, while its control of economic development was furthered through state ownership of the island's banking system, and with it the allocation of credit. Given the stronger control over the political process, the KMT did not

have to foster "close bank-group relations, high levels of industrial concentration, or high corporate leveraging that constituted such a problem in other crisis countries, particularly South Korea."[27]

South Korea's trajectory in the 1980s and 1990s was more similar to Brazil, with a military regime engineering a transition to democracy in the mid- and late 1980s and civilian opposition governments engineering economic stabilization, adjustment, and restructuring in the mid- and late 1990s. The two countries shared the key factor—from the perspective presented here—of a low degree of regime institutionalization during their years of late authoritarian and young democratic regime rule. This was in marked contrast with institutionalized authoritarian regime rule in Taiwan, Chile, and Mexico.

South Korea's 1948 constitution was drastically amended several times: after the Student Revolution of 1960; in 1962, a year after Park's military coup; in 1972, after the institution of martial law, when a new constitution was passed; and in 1987, when Chun and Roh enacted amendments that brought about direct presidential elections and a more democratic constitution.[28] Electoral calendars and rules also suffered high turnover, depending on the incumbent's succession plans. The greatest contrast between Taiwan/Chile/Mexico and South Korea (as well as Brazil) is the third of the variables deployed in this volume—party and party system strength. South Korea's ruling party organization was "weak and shallow."[29] In the fight for democratization, "Political parties remained ephemeral. Individual political leaders, including Kim Young Sam and Kim Dae Jung among others, courageously and single-mindedly led the struggles for democracy for decades." Even after one decade of full electoral democracy and two decades after the initiation of political liberalization in 1987, "political parties remain the weakest link. Fifty years after the establishment of the republic political parties are still essentially loose coalitions of politically active individuals organized around strong-willed and identifiable political leaders or bosses."[30] This lack of "strong organizational mechanisms for co-opting mass support"[31] was a fundamental element responsible for lower degrees of regime institutionalization in South Korea (and, until the rise to national level of PT and PSDB electoral competition, in Brazil) compared with Taiwan, Chile, and Mexico in the 1980s and 1990s. As a consequence, social and political conflict in late authoritarian and young democratic South Korea (and, until Cardoso's presidency, in Brazil) tended more frequently to spill over institutional channels.

In the face of a higher rate of social and political conflict spillover, the weaker executives in late 1980s and early 1990s South Korea and Brazil found it harder to contain the sharpening distributive conflict. In Brazil, presidents Sarney (sub-

stitute), Collor (impeached), and Franco (substitute) limped along, facing bouts of hyperinflation and political deadlock. In turn, incumbents in South Korea, both authoritarian and democratic, resorted to the semi-permanent use of coercion and cooptation to restore order and to defuse conflict between the mid-1980s and the late 1990s. In particular, "close relations with the private sector grew in part out of these challenges, as governments sought both to use growth as a legitimating formula and to secure financial support for their political efforts."[32] The end result became an economy dominated by the *chaebol* and state collusion, growing corporate insolvency, and contagion after the October 1997 devaluation of the Hong Kong dollar.[33] These events led to South Korea's worst national crisis since the Korean War.

Final Thoughts

The cross-regional comparisons sketched above do not constitute a substantive empirical test of the contention that the likelihood of effective control of dual transitions was higher in countries with institutionalized authoritarian regimes (Chile, Mexico, and Taiwan) than in countries with both weak late authoritarian and young democratic regimes (Brazil and South Korea). In fact, the young democratic regimes in Mexico and Taiwan, like their counterpart in South Korea, faced divided governments.[34] Although divided government did not translate automatically into lower regime institutionalization, the government process did become more cumbersome in the three countries.

And yet, the populations in some countries undergoing dual transitions in the 1980s and 1990s had to endure repeated episodes of economic meltdown involving hyperinflation or political uncertainty and instability featuring interrupted presidents or premierships. In contrast, this volume has argued that institutionalized authoritarian regimes prior to transitions to market economies and democratic regimes allowed incumbents and opposition forces in Chile and Mexico to negotiate inter-temporally the costs and benefits associated with the breakup of political and economic monopolies, thereby avoiding such extreme events.

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Introduction

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2. See Huntington, *Third Wave*.

3. Diamond and Plattner, eds., *Economic Reform and Democracy,* ix.

4. Haggard and Kaufman, eds., *Politics of Economic Adjustment,* 3.

5. Przeworski, *States and Markets,* chs. 2 and 4.

6. Acemoglu and Robinson, *Economic Origins,* chs. 5 and 6.

7. See Moore Jr., *Social Origins of Dictatorship and Democracy*; and Skocpol, *States and Social Revolutions*.

8. On centralized and decentralized mechanisms for allocating resources, see Przeworski, *States and Markets,* sections 1 and 2.

9. Linz, *Totalitarian and Authoritarian Regimes,* 170–3, 193–5.

10. See Williamson, ed., *Political Economy of Policy Reform*.

11. See O'Donnell, *Modernization and Bureaucratic-Authoritarianism*.

12. See Lipset, "Some Social Requisites of Democracy."

13. See Mahoney and Rueschemeyer, eds., *Comparative Historical Analysis*.

14. See Stokes, *Mandates and Democracy*; Stokes, ed., *Public Support for Market Reforms*; and Weyland, *Politics of Market Reform*.

15. Haggard and Kaufman, eds., *Politics of Economic Adjustment,* 174–82; and Valenzuela, "Latin American Presidencies Interrupted," 5–19.

16. Relevant works include Haggard and Kaufman, eds., *Politics of Economic Adjustment*; various authors, "Economic Liberalization and Democratization"; Haggard and Webb, eds., *Voting for Reform*; Bermeo, "Sacrifice, Sequence, and Strength," 601–27; Joan M. Nelson et al., *Intricate Links*; Armijo, ed., "Conversations on Democratization and Economic Reform"; Lawson, "Conference Report"; Encarnación, "Politics of Dual Transitions"; Oxhorn and Starr, eds., *Markets and Democracy in Latin America*; and Halperin, Siegle, and Weinstein, *Democracy Advantage*.

17. See Desai, *Perestroika in Perspective*; Lal, *Poverty of Development Economics*; and Pei, "Puzzle of East Asian Exceptionalism."

18. Maravall, "Myth of the Authoritarian Advantage"; Geddes, "Challenging the Conventional Wisdom"; and Halperin, Siegle, and Weinstein, *Democracy Advantage*.

19. See Haggard and Kaufman, *Political Economy of Democratic Transitions*.

20. Bates and Krueger, eds., *Political and Economic Interactions,* 4.

21. Rueschemeyer, Stephens, and Stephens, *Capitalist Development and Democracy,* 5–7.

22. Przeworski et al., *Sustainable Democracy,* 10–6.

23. Huntington, *Political Order,* 12, 1.

24. Linz, "Future of an Authoritarian Situation," 233–54.

25. Mainwaring and Scully, eds., *Building Democratic Institutions,* 4.

26. See O'Donnell and Schmitter, *Transitions from Authoritarian Rule: Tentative Conclusions about Uncertain Democracies*; and Colomer, *Game Theory*.

27. Linz, "Future of an Authoritarian Situation," 236.

28. Kurtz, *Free Market Democracy,* 5, 250–1.

29. Linz, *Totalitarian and Authoritarian Regimes,* 170.

30. For example, Gourevitch, *Politics in Hard Times*; Rueschemeyer, Stephens, and Stephens, *Capitalist Development and Democracy*; Haggard and Kaufman, eds., *Politics of Economic Adjustment*; and Haggard and Kaufman, *Political Economy of Democratic Transitions*.

31. Rustow, "Transitions to Democracy," 337–63; O'Donnell, Schmitter, and Whitehead, eds., *Transitions from Authoritarian Rule: Prospects for Democracy*; Diamond, Hartlyn, Linz, and Lipset, eds., *Democracy in Developing Countries*; and Linz and Stepan, *Problems of Democratic Transition and Consolidation*.

32. *International*: Whitehead, ed., *International Dimensions of Democratization,* 3–53.

State: Elster and Slagstad, eds., *Constitutionalism and Democracy,* 1–17; see also Méndez, O'Donnell, and Pinheiro, eds., *(Un)Rule of Law*.

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Individual actors: Powell, *El piloto del cambio*; and Brown, *Gorbachev Factor*.

33. Bhagwati, "Democracy and Development," 33–5.

34. Peters, *Comparative Politics,* 37–41; and Przeworski and Teune, *Logic of Comparative Social Inquiry,* 34–9.

35. *Sexenio* refers to the six years that the presidential term lasts in Mexico. End-of-*sexenio* crises were those that occurred in the last year of presidential terms (1976, 1982, 1987–88, 1994–95).

1. Chile

1. Pinto, *Chile, hoy,* 5.

2. IMF, *International Financial Statistics,* 1985.

3. See Gazmuri, Arancibia, and Góngora, *Eduardo Frei Montalva*.

4. See Considine, ed., *Social Revolution in the New Latin America*.

5. For an assessment of the Marxist left's self-perception in those years, see Corvalán, *De lo vivido y lo peleado*.

6. See Moulian, *Conversación interrumpida con Allende*.

7. Hitchens, *Trial of Henry Kissinger,* 63–6.

8. See Rohter, "For Chilean Coup."

9. Kissinger, *White House Years,* 673.

10. See Moran, *Multinational Corporations*.

11. See *Instantes de decisión,* the memoirs of the Mexican ambassador to Chile at the time, Gonzalo Martínez Corbalá.

12. Important documents include Chile, *Acuerdo de la Cámara de Diputados,* in which the legislative opposition accused the UP government; see also Andres Zaldívar's declarations in *Qué Pasa* (August 23, 1973, 37); and Dooner, *Periodismo y política*.

13. See Angell, *Chile de Alessandri a Pinochet*.

14. Valenzuela and Valenzuela, eds., *Military Rule in Chile,* 5–6.

15. See Goyret, *Geopolítica y subversión*; Rouquié, *El estado militar*; and Loveman and Davies, *Politics of Antipolitics*.

16. Cf. Güell and Lechner, "Construcción social," 185–210.

17. See Chile. Comisión Nacional de la Verdad y la Reconciliación, *Informe de la Comisión Nacional de la Verdad y la Reconciliación*; and Verdugo, *Chile, Pinochet, and the Caravan of Death*.

18. See Angell, *Politics and the Labour Movement in Chile*.

19. Valenzuela and Valenzuela, eds., *Military Rule in Chile,* 207–12.

20. See Lissardy, "Las huellas criminales."

21. See Chile, *Acuerdo de la Cámara de Diputados*.

22. Kurtz, "Chile's Neo-Liberal Revolution," 399–427.

23. Baraona, "La política económica del gobierno militar," 83–90.

24. See Chile. *Oficio Casa Militar de la Presidencia*.

25. See Dinges, *Condor Years*; and Maxwell, "The Case of the Missing Letter."

26. U.S. Department of State, Chile Declassification Project, "Memorandum of Conversation," June 8, 1976.

27. *El Mercurio,* June 12, 1986.

28. Muñoz, "Chile's External Relations under the Military Government," 308.

29. Huneeus, "Technocrats and Politicians," 478–85.

30. Baraona, "La política económica del gobierno military," 85–6.

31. Garretón, "Atavism and Democratic Ambiguity," 58.

32. For assessments about the rise of the neoliberal project in Chile, see Valdés, *La Escuela de Chicago*; Centro de Estudios Públicos, *El Ladrillo*; Kurtz, "Chile's Neo-Liberal Revolution"; and Huneeus, "Technocrats and Politicians."

33. See Chile, *Decreto 966*.

34. *La Tercera,* April 12, 1975.

35. Foxley, "Neoconservative Economic Experiment in Chile," 23–6.

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39. Martínez and Díaz, *Chile: The Great Transformation,* 65, 81–94.

40. See Piñera, "Dar un golpe de timón."

41. For a detailed analysis of the institutionalization of the military regime, see Huneeus, *El régimen de Pinochet*.

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43. Edwards, *Crisis and Reform in Latin America,* 53–5; cf. Taylor, ed., *After Neoliberalism*.

44. Embassy of the United States in Chile, *Economic Outlook Report,* 2.

45. *El Mercurio,* September 13, 1980.

46. Garretón, "Political Processes in an Authoritarian Regime," 172–7.

47. Muñoz, "Chile's External Relations under the Military Government," 317–8.

48. Ramos, *Neoconservative Economics,* 22–3.

49. Ibid.

50. Linz and Stepan, *Problems of Democratic Transition and Consolidation,* 211.

51. Arriagada, *Por la razón o la fuerza,* 77.

52. Cavallo et al., *La historia oculta del régimen militar,* 177–82.

53. See Chile, *Diario Oficial,* December 17, 1974.

54. Cavallo et al., *La historia oculta del régimen militar,* 181.

55. Przeworski et al., *Sustainable Democracy,* 85–90.

56. Valenzuela, "The Military in Power," 30–1.

57. Arriagada, *Por la razón o la fuerza,* 45; and Huneeus, "Technocrats and Politicians," 327–89.

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59. See Lavín, *Chile: A Quiet Revolution*.

60. Kurtz, "Chile's Neo-Liberal Revolution," 414.

61. Vergara, *Auge y caída del neoliberalismo en Chile,* 157–92.

62. See Von Mises, *Socialism*; Hayek, *Constitution of Liberty*; Friedman, *Capitalism and Freedom*; and Buchanan, *Limits of Liberty*.

63. See O'Connor, *Fiscal Crisis of the State*; Habermas, *Legitimation Crisis*; and Offe, *Contradictions of the Welfare State*.

64. See "El Mensaje de Pinochet," *Hoy,* September 13, 1978.

65. Silva, "Capitalist Coalitions," 546.

66. The best source on this program is Foxley, "Neoconservative Economic Experiment in Chile," 30–41. Public expenditure declined from 39.3% of GDP in 1974 to 23.1% in 1981; the number of nationalized companies under CORFO went from 49 in 1970 to 479 in 1973 and back down to 24 in 1980. Around 33% of lands affected by agrarian reform were returned to former owners, and another 55% were distributed in individual plots to more than forty thousand peasants. The rest was transferred to a state agency, the Corporación Forestal. Average nominal tariffs on imports were 94 percent in 1973; they were cut to

10 percent across the board in 1979. Nontariff barriers were eliminated. Liberalization of external capital flows started in October 1977 and was completed by the start of 1979.

67. Kurtz, "Chile's Neo-Liberal Revolution," 412.

68. See CEPAL, Santiago, 1980.

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70. Arriagada and Graham, "Chile: Sustaining Adjustment," 275.

71. Dahse, *El mapa de la extrema riqueza,* 12.

72. *El Mercurio,* July 24 and Oct. 24, 1982.

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74. Vergara, "Changes in the Economic Functions," 91–106.

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76. Ibid., 126.

77. Fernández, "Génesis de la constitución de 1980," 46.

78. Arriagada, *Por la razón o la fuerza,* 109–11.

79. See Hayek, *Constitution of Liberty*; Friedman, *Capitalism and Freedom*; and Nozick, *Anarchy, State, and Utopia.*

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86. Eyzaguirre, "El derecho de propiedad privada," 102–10.

87. Pérez de Arce, "Las causas inmediatas," 23.

88. See Guzmán, "La definición constitucional."

89. Eyzaguirre, "El derecho de propiedad privada," 109–10.

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94. Boeninger, *Democracia en Chile,* 274.

95. The constitutional review is based on Chile, *Constitución Política.*

96. Boeninger, *Democracia en Chile,* 274–5, 279.

97. Maira, *Chile: la transición interminable,* 83.

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99. Fernández, "Génesis de la constitución de 1980," 60.

100. Cavallo et al., *La historia oculta del régimen militar,* 245.

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108. See Bardón, Carrasco, and Vial, *Una década de cambios económicos*.

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111. *New York Times,* August 19, 1982.

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2. Aguilar Camín and Meyer, *A la Sombra,* 241–3.

3. See Córdova, *La política de masas del cardenismo*.

4. On neopopulism, see Knight, "Populism and Neo-Populism," 223–48; Conniff, ed., *Latin American Populism*; Dornbusch and Edwards, "The Macroeconomics of Populism in Latin America," 1990; Kaufman and Stallings, "The Political Economy of Latin American Populism."

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9. See Córdova, *La ideología de la Revolución Mexicana*.

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11. Stevens, "Legality and Extra-legality in Mexico," 73–4.

12. Valadés, *La dictadura constitucional,* 69–75.

13. Scherer and Monsiváis, *Parte de Guerra,* 13.

14. *Excélsior,* September 1, 1969.

15. Monsiváis, "El 68," 206.

16. Aguilar Camín, *Después del milagro,* 16.

17. Interview with Echeverría in Castañeda, *La herencia,* 68–71.

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19. Copies of the documents appeared in *Proceso,* January 21, 2002, available at www.proceso.com.mx.

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22. See Cosío Villegas, *El estilo personal de gobernar*; Carpizo, *El presidencialismo mexicano*; and Krauze, *La presidencia imperial*.

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25. See Bartra, *Los Herederos de Zapata*.
26. See Berins Collier, *Contradictory Alliance*.
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28. See Bancomext, "La política económica," 1971.
29. Bailey, "The Bureaucracy," 18.
30. Carrillo Castro, *La reforma administrativa,* 221.
31. See Rello, *El campo*.
32. See Tello, *La política económica*.
33. See Angell, *Chile de Alessandri a Pinochet*.
34. See Vernon, *Dilemma of Mexico's Development*.
35. See Zaid, " 'El sarampión chileno.' "
36. See Arriola, "Los grupos empresariales."
37. See Solís, *Economic policy reform in Mexico*.
38. Banamex, *México en cifras,* 28.
39. Fitzgerald, "Stabilisation Policy in Mexico," 42.
40. Cockcroft, *La esperanza de México,* 308.
41. Smith, *Talons of the Eagle,* 207–8.
42. Whitehead, "Economic Policies of the Echeverría Sexenio," 32–3.
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46. Zaid, *La economía presidencial,* 11.
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52. Cf. Castañeda, *La herencia,* 79–85.
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57. Loaeza, "La política del rumor," 140.
58. Whitehead, "Economic Policies of the Echeverría Sexenio," 43.
59. Aguilar Camín, *Después del milagro,* 37–42.
60. "Convenio de facilidad ampliada," 41.
61. Whitehead, "Economic Policies of the Echeverría Sexenio," 64.
62. See Pereyra, "México"; and José Luis Reyna, "Control político."
63. See Krauze, *La presidencia imperial*.
64. Arriola and Galindo, "Los empresarios y el Estado," 118.
65. See Whitehead, "Mexico from Bust to Boom."
66. See King, *Industrialisation and Trade Policies since 1940*.
67. See Ramos, *Neoconservative Economics*.
68. See López Cámara, ed. *Sociedad*.

69. Whitehead, "Economic Policies of the Echeverría Sexenio," 38. The key decisions to increase public investment in the oil industry were taken before the Yom Kippur War in 1973 and the ensuing quadrupling of international oil prices.

70. See Bailey, "Mexico in the U.S. Media, 1979–1988."

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75. See Carpizo, *El presidencialismo mexicano.*

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100. Krauze, "El timón y la tormenta," 16.

101. "López Portillo Plays for High Stakes."

102. See Reagan, "Excerpts from a Speech."

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109. See Williamson, *Political Economy of Policy Reform,* 1994.

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114. See Córdoba, "El programa mexicano de reordenación económica, 1983–1984."

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118. Cline, "Mexico's Crisis, the World's Peril," 108–9.

119. See Székely, *La economía política del petróleo,* 1983.

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10. Ibid., 309.

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50. Aninat, "Los ciclos económicos," 137–8.
51. See Smith, "Privatization: What, When, and to Whom?"
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61. See Piñera, "Otro golpe de timón."
62. Cavallo et al., *La historia oculta del régimen militar,* 428.
63. See O'Shea, "El ajuste ministerial."

64. Corvalán, *De lo vivido y lo peleado,* 290.

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66. Boeninger, *Democracia en Chile,* 314.

67. *Washington Post,* May 27, 1986.

68. *Le Monde,* May 10, 1987.

69. See Muñoz and Portales, *Una amistad esquiva.*

70. See U.S. Embassy, *Texto Oficial.*

71. Whitehead, "Three International Dimensions of Democratization," 5–7, 21.

72. Portales, "Los factores externos," 467.

73. Angell, "La cooperación internacional," 215–49.

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2. See Weyland, *Politics of Market Reform.*

3. See Ros, "Mexico from the Oil Boom to the Debt Crisis."

4. Aguilar Camín and Meyer, *A la Sombra,* 261.

5. See "Discurso de toma de posesión."

6. Aguilar Camín and Meyer, *A la Sombra,* 262–3.

7. Secretaría de Programación y Presupuesto, *Sistema nacional.*

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12. Hernández, "La división de la élite política mexicana," 250.

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18. See Quijano et al., "La banca que quedó."

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39. Pérez Fernández del Castillo, "Del corporativismo de Estado," 50.

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41. See Paz, "PRI: hora cumplida."

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63. Aguayo, "México en transición y Estados Unidos," 204.
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6. See Constable and Valenzuela, *Nation of Enemies.*
7. Haggard and Kaufman, *Political Economy of Democratic Transitions,* 81–3.
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103. Tironi, *El régimen autoritario,* 129–30.
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118. See Angell, "El factor Pinochet en la política chilena."
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37. See Muñoz Ledo, *Voz y Voto,* June 1993.

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44. Paternostro, "Mexico as a Narco-democracy," 44.

45. "The Mexican Drug Connection," *The Economist,* 61.

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52. MacArthur, *Selling of "Free Trade,"* 178.

53. Ibid., 381.

54. For accounts by witnesses and participants in the events of 1994, see Salinas de Gortari, *México,* chs. 7–10; Pichardo Pagaza, *Triunfos y traiciones*; Carpizo, *Anatomía de perversidades*; Castañeda, *Sorpresas te da la vida*; Granados Chapa, *Escuche, Carlos Salinas!*; Gilly, *México*; and Carlos Ramírez, *Cuando pudimos no quisimos.*

55. See Fuentes, *Nuevo tiempo mexicano.*

56. On the *zapatista* uprising in Chiapas, see EZLN, *Declaración de la Selva Lacandona,* http://www.ezln.org/documentos/1994/199312xx.es.htm

57. Salinas de Gortari, *México,* 809.

58. Molinar, "Renegociación de las reglas del juego," 52–3.

59. Ibid.

60. Pichardo, *Triunfos y traiciones,* 152.

61. Castañeda, *La herencia,* 459–60.

62. Interview with Salinas in ibid., 309–13.

63. Ibid., 312.

64. See Gil Díaz, "A Hypothesis."

65. See Aspe, *Economic Transformation the Mexican Way*

66. Ibarra, *Transición o crisis?* 19.

67. *El Financiero,* November 3, 1994.

68. Ibid.

69. Granados Chapa, *Escuche, Carlos Salinas!* 78. Cf. Salinas's view in Castañeda, *La herencia,* 314–5.

70. Ros, "La crisis mexicana," 43.

71. See Edwards and Naím, eds., *Mexico 1994.*

72. Lustig, "Mexico: The Slippery Road to Stability," 9.

73. Editorial in *Wall Street Journal,* June 9, 1999.

74. *Wall Street Journal,* June 14, 1994.

75. See IMF, *World Economic Outlook, 1995.*

76. See México, SHCP, *Informes sobre la situación económica,* 1995.

77. Banco de México, *Indicadores económicos,* various years. Unemployment figures

remain highly misleading in Mexico because they only include variations in the number of workers whose employers affiliate them to IMSS, the national social security system. Real unemployment in the aftermath of the 1994–95 crisis in Mexico was probably closer to 20 to 25 percent. See Ibarra, *Transición o crisis?* 35.

78. Interview with Ulises Beltrán in Gómez Leyva, "El presidente repudiado," 18.

79. See México, Poder Ejecutivo Federal, *Plan Nacional de Desarrollo 1995–2000.*

80. Ibarra, *Transición o crisis?* 21.

81. Rubio, "El TLC," 39.

82. MacArthur, *Selling of "Free Trade,"* 286.

83. Ibarra, *Transición o crisis?* 26.

84. See Galeguillos, "Checks and Balances."

85. See Domingo, "Judicial Independence and Judicial Reform."

86. See Vargas, "Rebirth of the Supreme Court of Mexico."

87. See "Mexico: Supreme Court Blasts Government," *Transparency International.*

88. Quoted in "Mexico at the Crossroads," *Americas Program.*

89. Ramírez, *Cuando pudimos no quisimos,* 201.

90. *La Jornada,* March 28, 1996.

91. Hernández, "Partido Revolucionario Institucional," 83; and Rubio, "Coping with Political Change," 14.

92. See PRI, *Documentos Básicos,* 1996.

93. Merino, "El futuro del PRI," 16.

94. Aguilar Camín, "La escisión del PRI," 8.

95. Prud'home, "IFE," 150, 154.

96. Divided government means "the absence of simultaneous same-party majorities in the executive and the legislative branches of government." Elgie, ed., *Divided Government,* 2.

97. Romero and Zebadúa, "Geografías de la alternancia," 58–64.

98. Lujambio, *El poder compartido,* 13–9.

99. Gil Díaz, "A Hypothesis," 4.

100. Smith, "Tossing a Lifeline, 80.

101. See Gotlieb, "The Middle Class Revolt."

102. Gil Díaz, "A Hypothesis," 2.

103. "Fobaproa, banco por banco, peso por peso," 10–5.

104. López Obrador, *Fobaproa,* 56.

105. See *The Wall Street Journal,* May 12, 1998.

106. See *Financial Times,* April 27, 1998.

107. See Morgenstern and Nacif, eds., *Legislative Politics in Latin America.*

108. Klesner, "Divided Government," 63.

109. See *Proceso,* July 5, 1998; and *El Financiero,* May 28, 1998.

110. See *New York Times,* July 31, 1998.

111. See *Wall Street Journal,* July 31, 1998.

112. Becerra, "Informe Mackey," 18–19.

113. See Méndez, O'Donnell, and Pinheiro, eds., *(Un)Rule of Law.*

114. See López Portillo, *Seguridad y Justicia.*

115. Oxford Analytica, *Latin American Country Risk Analysis,* 26, 33.

116. "Los generales Acosta y Quirós," 12–7.

117. "2001 Transparency International Corruption Perceptions' Index (CPI)."

118. On the American government's ranking of narco-states, see Rice University, www.owlnet.rice.edu/poli354/Mexico_pages/970301Mexico_certification.

119. Fernández Menéndez, *El otro poder,* 15.

120. See Lloyd, "Zedillo's Choice."

121. See *La Jornada,* June 29, 1996.

122. See *Reforma,* December 23, 1998.

123. Interview with Zedillo, *Proceso,* 15–6.

124. Gómez Leyva, "El presidente," 22–3.

125. See *Oxford Analytica*.

126. See Granados Chapa, *Fox y Co.*

127. Montemayor, "Sorpresas de la democracia," *Proceso,* September 3, 2000.

Conclusion

1. It is easily forgotten that as recently as 1978 there were only 3 democratic regimes—Colombia, Costa Rica, and Venezuela—in an otherwise authoritarian Latin America.

2. See Acemoglu and Robinson, *Economic Origins.*

3. See Maria Lorena Cook, "Labor Reform and Dual Transitions."

4. Kurtz, *Free Market Democracy,* 14–7.

5. See Sen, *Development as Freedom,* 13–34; J. Sheahan, "Effects of Liberalization Programmes"; Londono and Székely, "Distributional Surprises"; and Corbacho and Schwartz, "Mexico: Experiences with Pro-Poor Expenditure Policies."

6. Measured by the Gini coefficient, inequality increased in Chile from .53 in 1980 to .58 in 1998 and in Mexico from .47 in 1984 to .52 in 1998. Chile and Mexico are intermediate cases of inequality in Latin America. The most unequal country in 1998 was Brazil (.61), the least unequal Argentina (.49). IDB, "Inequality in Latin America and the Caribbean during 1990s." More recently, inequality in Chile has remained almost unchanged (.57) while Mexico has come down a bit (.5); Brazil's, though lower (.58), remained the second-highest in the region after Bolivia (.6); Argentina's continued to increase, reaching levels (.53) not seen since the 1930s. UNDP, *Human Development Report,* available at http://hdr.undp.org/hdr2006/pdfs/report/HDR06-complete.pdf.

7. See Global Poverty Report. Available at www.adb.org/Documents/Reports/Global_Poverty/2001/gpr240.asp.

8. See Przeworski, *Democracy and the Market*; Nelson and contributors, *Precarious Balance*; Bunce, "Rethinking Recent Democratization"; Ekiert and Hanson, eds., *Capitalism and Democracy in Central and Eastern Europe*; McFaul and Stoner Weiss, eds., *After the Collapse of Communism.*

9. See Haggard, *Pathways from the Periphery*; Haggard and Kaufman, *Political Economy of Democratic Transitions*; Rodrik, "Understanding Economic Policy Reform"; and Whitehead, ed., *Emerging Market Democracies.*

10. Mainwaring, *Rethinking Party Systems,* 84.

11. Lamounier, "Brazil: Inequality against Democracy," 172.

12. Roett, "Brazil's Protracted Transition," 204.

13. Bartlett, *Political Economy of Dual Transformations,* 2.

14. Ibid., 203.

15. Rodrik, "Understanding Economic Policy Reform," 13, table 1.

16. See Alice Amsden, *Asia's Next Giant*; and Wade, *Governing the Market.*

17. Davis, *Discipline and Development,* chs. 1 and 2.

18. Kie-chiang Oh, *Korean Politics,* 70; and Haggard and Kaufman, *Political Economy of Democratic Transitions,* 292.

19. See Solinger, "Ending One-Party Dominance."

20. Haggard and Kaufman, *Political Economy of Democratic Transitions,* 280.

21. Marsh, "Economic Governance and Economic Performance," 52.

22. Buchanan and Nicholls, "Where Dragons Falter," 60.

23. Haggard and Kaufman, *Political Economy of Democratic Transitions,* 276.

24. Stephan Haggard, *Political Economy of the Asian Financial Crisis,* chapter 1.

25. Haggard and Kaufman, *Political Economy of Democratic Transitions,* 295.

26. Ibid., 299.

27. Haggard, *Political Economy of the Asian Financial Crisis,* 135.

28. Kie-chiang Oh, *Korean Politics.* 30, 43, 55, 63, 93.

29. Haggard and Kaufman, *Political Economy of Democratic Transitions,* 280.

30. Kie-chiang Oh, *Korean Politics,* 242–3.

31. Haggard and Kaufman, *Political Economy of Democratic Transitions,* 280.

32. Ibid.

33. *Chaebols* are "highly-diversified, family-owned or family-controlled conglomerates operating in many markets at once." Haggard, *Political Economy of the Asian Financial Crisis,* 21.

34. Solinger, "Ending One-Party Dominance," 40.

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